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AIDS: it may not be too late, Page 19

World news | Business summary

Perle to quit defence post

Hardline US Assistant Secretary of Defence Richard Perle is resigning to become a defence consultant and to write a novel based in part on his experiences in Washington.

He is widely regarded as the most able and articulate critic of past arms control agreements between Washington and Moscow. The news was greeted with concern by some conservatives on Capitol Hill. Page 3

Threat to hostage

An underground group in Lebanon threatened to kill a French hostage within 48 hours unless it received an explanation of remarks by French President Francois Mitterrand that he would continue to supply Iraq with arms. Page 4

Second Soviet test

Moscow staged its second nuclear test in 15 days after ending a 19-month self-imposed freeze. Tass said it was carried out near Semipalatinsk in Central Asia.

Swedish boycott

Sweden is to impose a total boycott on trade in goods with South Africa in a move that marks a unique departure from its traditional foreign and trade policy. Page 4

Pretoria pact fails

South Africa's two ultra-right parties, the Herstigte Nasionale and the Coservative Party, failed to agree on an electoral pact which might have helped them take seats from the ruling National Party in the May 6 whites-only general election. Page 4

Pinochet silenced

A bomb knocked out electrical power in several parts of Santiago while a speech by President Augusto Pinochet was being broadcast on television.

Lagos warns rioters

The Nigerian Army warned rioters involved in murder or arson in the northern state of Kaduna that they would be shot. Religious clashes between Moslems and Christians this week have left 11 people dead. Page 4

Hess 'seriously ill'

Rudolf Hess, 92, once Hitler's deputy, is so ill that he did not recognise his son, Wolf-Ruediger Hess, when he visited him in the West Berlin Military Hospital, the son said afterwards. But an Allied spokesman said his condition had improved.

Secret designs stolen

Secret designs for an anti-submarine ship being built in a Finnish shipyard for the Swedish Navy have been stolen during a break-in at the yard.

Spanish violence

Ten Spanish policemen were overpowered by a rampaging mob in the northern town of Reinosa during violent scenes sparked by threatened job losses. They surrendered and were marched away but colleagues later freed them.

Defector returns

Professor Klaus Hennig, 52, a senior member of the East German Academy of Sciences who defected to West Germany recently, has returned home, East Germany said.

Ex-Premier fined

Former New South Wales Premier Neville Wran was fined A$25,000 ($17,000) for contempt of court for a remark he made while in office. He had said he believed an accused judge was innocent. The News Limited media group was fined A$200,000 for publishing the comment.

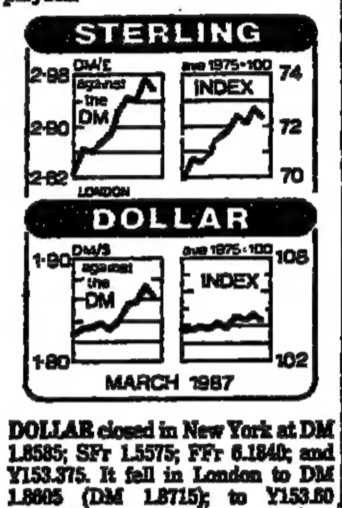
Merrill Lynch banker sacked

NAHUM VASKEVITCH, the latest investment banker to be accused by the US Securities and Exchange Commission of insider trading, was sacked yesterday by Merrill Lynch as the head of mergers and acquisitions in its London office.

Merrill Lynch said it had taken the action after Vaskevitch failed to provide satisfactory explanations of the SEC's allegations. He had been suspended from his position on Wednesday after the SEC filed a civil complaint in a Manhattan court.

The SEC alleged that Vaskevitch, 38, masterminded an insider trading scheme which netted more than $4m using confidential information about Merrill's US clients.

Merrill Lynch said it was continuing to co-operate with authorities on both sides of the Atlantic. As far as it knew, the allegations did not involve other Merrill Lynch employees.



DOLLAR closed in New York at DM 1.8585; SFr 1.5575; FFr 6.1840; and Y153.375. It fell in London to DM 1.8605 (DM 1.8715); to Y153.60 (Y153.80); to FFr 6.19 (FFr 6.2225); to SFr 1.5595 (SFr 1.5700). On Bank of England figures the dollar's exchange rate index fell from 104.8 to 104.2. Page 31

STERLING closed in New York at $1.5870. It fell in London to $1.5880 ($1.5910); to DM 2.9550 (DM 2.9775); to Y244.0 (Y244.75); to SFr 2.4750 (SFr 2.4975); and to FFr 9.83 (FFr 9.90). On Bank of England figures the pound's exchange rate index fell to 72.3 from 72.7. Page 31

GOLD rose $2.75 on the London bullion market to close at $410.00. It also rose in Zurich to $410.00 ($407.45). Page 39

WALL STREET: The Dow Jones industrial average closed down 1.78 at 2,267.20. Page 46

LONDON equities were mixed with the FT SE 100 down 10.3 to 1,989.7 and the FT Ordinary up 8.6 at 1,578.0. Gilts were buoyant. Page 46

TOKYO surged to its third peak with a 157.24 gain in the Nikkei market average to 21,470.20. Page 46

FABRIQUE Nationale Herstale, troubled Belgian arms and aeronautics manufacturer, made a net loss of BFr 1.45bn ($38m) and blamed strikes, the weak dollar and falling oil price. Page 21.

ITALY'S central bank announced specific rules to govern the formation of domestic merchant following last month's decision to allow commercial banks to form merchant bank subsidiaries. Page 21

K MART, world's second largest retailer, reported a 20.8 per cent rise in earnings for the year to $570.3m, or $4.25 a share, citing a better merchandise mix, lower expenses and reduced interest rate costs. Page 21.

SANDVIK, Swedish cemented carbide and special steels group, showed a 4.3 per cent rise in profits before appropriations and taxes to SKr 1.678bn ($260m) in 1986. Page 22

CYACQ, US investor group, said it would raise its tender offer for Cyclops, industrial products and electronic retailing group, to $92.50 a share from $80 under certain conditions, thus exceeding a $90.25 offer by Dixons of the UK. Page 21.

European Court's bitter blow to purist German brewers

BY QUENTIN PEEL IN BRUSSELS

WEST GERMANY yesterday lost its five-year battle to protect the purity of its prodigious beer market from being adulterated with base foreign brews.

The European Court of Justice ruled that the 470-year-old Bavarian *Reinheitsgebot*, banning the use of additives in German beer, could not be used to stop foreign beer from being sold there.

The decision was hailed in Brussels as a milestone for the free movement of goods in the Common Market – and deplored in Bonn and Munich as a sorry day for the German beer drinker.

It means that West Germany can no longer insist that any substance marketed as beer may contain nothing other than malted barley, hops, years and water, in accordance with the law laid down in 1516 by Duke Wilhelm IV of Bavaria.

The Court ruled, in its own measured words, that there was more froth than substance in the German claim that the health of its menfolk would be impaired by the additives allowed in foreign brews.

The Bonn Government had argued, according to its chief counsel, Mr Martin Seidel (whose name, incidentally means Mr Tankard), that the average German male gets 28.7 per cent of his daily nutritional intake from beer alone – and to allow additives would constitute a health hazard.

The court decided yesterday that a blanket ban on additives was disproportionate to the health risk involved – not to mention the fact that all the foreign beers in question are freely sold and consumed throughout the rest of the EEC, without apparent ill effects.

The judges agreed with the European Commission, which brought the case on the basis of a 1982 complaint by a brewer in Alsace, that the German insistence on its own definition of "beer" amounted to a trade barrier.

The ruling does not require the Germans to change their own laws affecting beer brewed in the Federal Republic. But it requires Bonn to allow free circulation for foreign brews, from other EEC states, provided they comply with the health and food laws in their country of origin.

It confirms the principle of "mutual recognition" already set out in the Cassis de Dijon decision, which ensured free circulation of the French blackcurrant liqueur.

The atmosphere in the Luxembourg courtroom, packed with representatives of West German brewers and press, was funereal as the brief judgment was announced.

Mr Klaus Asche, West German brewers' federation president, put a brave face on it, declaring that domestic beers, at least, would maintain the age-old standards.

"We expected the judgment, but we are not afraid of the practical results," he said. "The purity law will remain German law. It is a very distinguished sign of quality for beer in Germany."

The case has whipped up a furore in Germany, where it is seen as unforgiveable Brussels interference, in what is regarded as a national institution. But Mr Asche insisted that German commitment to the European cause remained intact. "For us, European union is a vital question, the first priority," he said.

The decision was welcomed in Brussels, however, as a crucial endorsement of the move towards a single internal market in the EEC.

The court ordered the German Government to pay the costs of the case.

Background, Page 2

Sizewell go-ahead opens way for £6bn UK N-programme

BY DAVID FISHLOCK AND PETER RIDDELL IN LONDON

THE BRITISH Government yesterday gave the go-ahead for the controversial Sizewell B pressurised water reactor on the east coast of England, clearing the way for a programme of nuclear reactor construction costing more than £6bn ($9.1bn).

Mr Peter Walker, the Energy Secretary, said the environmental questions raised by the Chernobyl nuclear accident in the Soviet Union had been taken into account before the £1.5bn project in Suffolk was sanctioned.

The Central Electricity Generating Board designed the reactor as the lead station in a "small family" of at least five identical 1,175Mw plants. It hopes to build other stations, each costing at least £200m less than Sizewell B at present prices.

Site preparations will start at Sizewell next month and the electricity board expects to have confirmed contracts worth £500m within several weeks.

British industrialists welcomed the Government's decision. Sir Terence Beckett, the retiring director general of the Confederation of British Industry, said the move was "good news for all who wish to see a modern go-ahead competitive Britain." However, environmentalists and anti-nuclear groups attacked the decision, claiming that the Government had acted against the wishes of the majority of the British people.

station for which orders have been confirmed since the Chernobyl accident. All are PWRs, the others being two in South Korea, two in China and one in France.

Sir John Hill, president of the British Nuclear Forum and a former chief nuclear adviser to the

Mr Peter Walker

government, said the Sizewell decision was immensely important to Europe.

Although nuclear construction had continued, many governments had wavered after Chernobyl, in particular those of West Germany, the Netherlands, Sweden and Switzerland.

Mr Walker said he had received assurances from the Government's chief nuclear inspector, Mr Eddie Ryder, that the Chernobyl accident involved a reactor of different design and a country with a different nuclear safety culture from Britain.

After Britain's longest-ever public inquiry, predominantly into safety matters, Sir Frank Layfield, the inquiry inspector, recommended in January that Sizewell B should be given planning permission.

Lord Marshall, Electricity board chairman, said the decision in favour of Sizewell B was the best buy for the electricity consumer. It paved the way for more nuclear stations in Britain, and for diversity in its electricity supply and would replace the ageing Magnox nuclear stations.

Sizewell B would generate an average of 10,000 a year for seven years. The "small family" of identical plants could increase this to 40,000-plus jobs for the next ten years.

It would also enable the electricity board to progress the mix of other nuclear and coal-fired stations it needed.

Lord Marshall said the electricity board would make planning applications for the second PWR at Hinkley Point in Somerset, and for two coal-fired stations before the end of 1987.

He said the board had taken no decision about further advanced gas-cooled reactors its current nuclear system, other than a "commitment to keep the technology alive and well."

"I don't see it as the death knell of the AGRs at all," he said. But he acknowledged that the PWR would now become its main line of construction.

Lord Marshall rejected recently reported Treasury criticism of the board's investment plans as too ambitious and too expensive.

Mr Walker told Parliament that the Energy Department had re-examined the economic case for Sizewell B "against a range of coal prices considerably lower than those discussed" in the public inquiry report.

Sir John said Britain's painstaking public inquiry procedure and use of judges such as Sir Frank Layfield and Sir Roger Parker to preside over nuclear inquiries impressed European governments.

Background, Page 9; Editorial comment, Page 18

US offers permanent missile monitoring

By Stewart Fleming in Washington

THE US Government yesterday proposed the permanent placement of Soviet and American inspectors at missile sites as part of a regime for monitoring adherence to the treaty on intermediate range nuclear missiles which is under discussion in Geneva.

The verification proposals were tabled in Geneva yesterday and later Mr Charles Redman, the State Department spokesman, gave detailed account of the treaty proposals.

Both sides are discussing a treaty which would lead to the elimination of medium range missiles in Europe, but which would leave the Soviet Union with the right to station 100 missiles in Asia and the US the right to station a similar number in the US.

Verification of compliance with the proposed treaty is one of the most difficult problems still to be resolved. Another is what agreements can be reached on shorter range nuclear missiles.

Mr Redman said the detailed verification proposals were designed to create confidence in the agreement, to deter violation and to allow for the quick and unambigious detection of any violations.

He outlined a six-point plan to achieve these objectives including agreements covering monitoring of test flights, location of missiles, monitoring of the dismantling of missiles as their numbers are being reduced, and on site inspection to establish how many missiles there are before the treaty goes into effect, to verify cuts and the permanent inspection of residual levels. In addition the US is asking for the right to conduct short-notice inspections to check compliance with any agreement.

Brussels rejects closure plan by steel producers

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission yesterday dismissed as inadequate a scheme by the EEC's major steel producers to offer voluntary closures in exchange for slower liberalisation of the industry.

The Brussels authorities said they would now press ahead with proposals to scrap production quotas for light sections, merchant bars and wire rod when the EEC's 12 industry ministers meet next Thursday. This will reduce the proportion of steel output subject to Community controls from 60 per cent to 45 per cent.

Formally, the Commission wants, by the end of this year, to scrap the entire system of quotas used since 1980 to help the industry restructure its way out of recession.

However, the Commission emphasised that it was still taking an "open attitude" to the closure plans offered by Eurofer, the European integrated steel makers' association.

Mr Karl-Heinz Narjes, the Industry Commissioner, and Mr Peter Sutherland, the Commissioner responsible for competition policy, flew to London yesterday evening to discuss the outlook for possible plant closures with Mr Giles Shaw, Britain's Trade and Industry Secretary. They are expected to move on to Paris today for talks with Mr Alain Madelin, the French Industry Minister.

Eurofer maintains that the steel market is still too depressed for its 22 members to tolerate a free trade system and wants the Community to keep production controls – which help to support prices – in place until 1990.

In exchange, Eurofer is offering what it claims will amount to 15.26m tonnes of closures, although the Commission is only prepared to believe at this stage that it can produce 11.5m tonnes of capacity cuts.

The full Eurofer offer would represent between one half and three quarters of the 21m tonnes to 31m tonnes of overcapacity which the Commission estimates will have built up in the EEC steel market by the end of the decade.

The Commission's main criticism is that the plan contains no concrete proposals for cuts in hot rolled coil and strip production. This is where overcapacity is heaviest, but most difficult to tackle because the plants involved are very large and tend to be publicy owned.

Four or five major public sector plants, employing about 22,000 people, would have to be closed to deal with overcapacity in hot rolled coil products alone.

STEEL CAPACITY EEC – MILLION TONNES

Category	existing capacity	estimated overcapacity 1990 best	estimated overcapacity 1990 worst
hot rolled coil	71.7	5.5	11.2
reversing mill plate	14.2	4.7	5.9
wide beams/sections	12.1	2.8	3.7
wire rod	15.1	1.1	2.2
reinforcing bars and merchant bars	27.2	7.4	10.8
TOTAL	140.3	21.5	32.1

Source: European Commission

Soviets accused of systematic distortion of growth figures

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION has dramatically overstated improvements in its economic performance since Mr Mikhail Gorbachev became leader two years ago, according to a US research organisation.

Soviet statistics, showing an increase in the economic growth rate in 1985 and last year, have been artificially inflated, says Dr Jan Vanous, research director of PlanEcon, a private research organisation on the Soviet and East European economies.

The Soviet Union puts its annual growth rate in national income at 3.5 per cent in 1985 and 4.1 per cent last year. Dr Vanous says, in the weekly newsletter, PlanEcon Report, that the real figures for growth in Soviet national income are 1.1 per cent in 1985 and 1.4 per cent in 1986.

He says the official Soviet figures are distorted, among other things, by an exaggeration of growth in retail trade, in spite of a clamp-down on alcohol sales in 1985, and by an underestimation of price inflation over the past two years.

PlanEcon points to a systematic effort by the Soviet Central Statistical Administration to give the impression that there has been a significant increase in the economic growth rate since Mr Gorbachev came to power.

Dr Vanous points out that Soviet statisticians reduced the impact of the drop in alcohol sales by cutting its contribution to total retail trade turnover from 6.9 per cent in 1985 to 1.6 per cent in 1986.

Better national income figures were produced by shifting from the assumption that prices were rising by 1.7 per cent a year in 1981 to 84, to an implicit Soviet claim that they fell by about 2 per cent a year in 1985 and 1986.

Soviet economic statistics, usually heavily publicised in the press, are taken as the main indicator of the political, as well as the economic, health of the country.

However, distortions in the figures, are likely to undermine, rather than enhance, the position of Mr Gorbachev, and other economic reformers, who argue that the limited and conservative economic changes introduced so far are too little

Some Soviet officials, notably those in the republic of Moldavia, have been attacked for exaggerating the figures for economic performance. A check by the central authorities showed that the figures had been padded in the first half of 1986 in every fifth enterprise in the republic where the accounts were examined.

There has been no hint in the Soviet press, or in Politburo speeches, that the Central Statistical Administration is falsifying the national accounts as a whole, in spite of the publicity given to the falsification of statistics in Moldavia.

The exaggerations appear to be mainly concentrated in the politically sensitive aggregate economic statistics for national income, retail trade, investment and prices.

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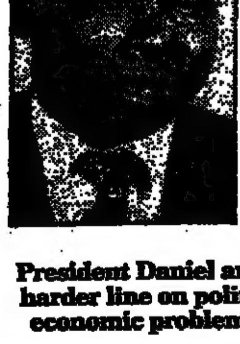

KENYA'S YEAR OF DISCIPLINE BEGINS TO BITE

President Daniel arap Moi is taking a harder line on political opposition as economic problems surface, Page 4

Moscow set to add short range missiles to talks

BY DAVID BUCHAN IN LONDON AND WILLIAM DULLFORCE IN GENEVA

THE Soviet Union is ready to discuss reductions in shorter range nuclear missiles "in parallel" with negotiations on a treaty with the US eliminating medium range missiles from Europe, Moscow's chief arms control tactician said yesterday.

But Mr Viktor Karpov, head of the Soviet Foreign Ministry's new arms control department, told a press conference in London that Moscow saw "no link" between shorter and medium range missiles in terms of agreements. They were "not a package," he stressed.

Discussions on reducing the number of missiles of less than 1,000 kilometres range were acceptable to Moscow, "if they do not hamper" the negotiations for a medium range missile treaty which could be completed within six months, Mr Karpov said.

Meanwhile, in Geneva, the US yesterday completed its draft of such a treaty by submitting to Soviet negotiators detailed proposals to prevent cheating.

On-site inspection to supplement electronic and satellite monitoring of the removal of the missiles forms part of the tight verification plan which the US agreed with its Nato allies in Washington on Monday. Britain, West Germany, Italy, Belgium and the Netherlands have agreed to open their sites currently housing US missiles to Soviet inspectors.

Mr Karpov yesterday confirmed Soviet willingness to accept reciprocal on-site inspection by the US. He also said the Soviet side had not yet decided whether to proceed by making its amendments to the US draft treaty or by presenting a clean draft of its own.

Ever since Mr Mikhail Gorbachev, the Soviet leader, advanced the prospect of early elimination of medium range missles from Europe by separating the issue from the more intractable US-Soviet disagreements over intercontinental missiles and space-based defence, the West has stepped up its calls for some accompanying reduction in the Soviet shorter range missile superiority.

But at this stage Moscow was only ready to talk about reductions in missiles with a range down to 500 km and no lower, Mr Karpov said. This had already been agreed by the US in Geneva, he claimed.

The proposed accord would see removal and destruction of some 270 triple-warheaded Soviet SS-20 missiles and 316 US Pershing and cruise missiles from Europe, leaving each superpower with 100 warheads in Soviet Asia and the US.

Seeking further to reassure West Europeans, Mr Karpov said yesterday that remaining SS-20s would be deployed "in a way that they won't reach Europe." Nor would they be able to hit US territory, he said. But in return for the latter constraint, he was insistent that the US must place its remaining medium range missiles where they could not hit Soviet soil.

An additional point of disagreement in Geneva, Mr Karpov said, concerned a US proposals that launchers for dismantled medium range missiles could be converted into short range weapons. The Soviet official called this "very dangerous" because there was no guarantee that such conversion could not be reversed.

The Soviet Union opposed giving the US any right to "build up" to Soviet levels in shorter range weaponry. "If there are imbalances—which Nato claims do exist—we are for eliminating these imbalances by reductions," he said.

Support grows for Dutch tax reductions

By Laura Raun in Amsterdam

THE DUTCH parliament has spoken out in favour of tax cuts next year in a bid to improve the country's international competitiveness and to maintain purchasing power at home.

During the past two days of parliamentary debate both the governing coalition parties, the Christian Democrats and the Liberals, and the opposition parties voiced support for reductions in taxes and social welfare premiums.

Income taxes and excise duties on fuels are the most likely targets although the value added tax and various tax deductibles also are under consideration.

A decision on whether to lighten the burden of taxes and premiums is expected to be made before the 1988 budget is unveiled in September. Public debate is likely to increase as the cabinet remains divided on the question with Mr H. Onno Ruding, the arch-conservative Finance Minister, adamantly opposed to reductions and Mr Ruud Lubbers, the Prime Minister, more disposed toward them.

Tax and premium cuts have taken on a fresh sense of urgency with the growing realisation of the Netherlands' deteriorating competitive position on world markets. The strong gilder boosted by January's revaluation in the European Monetary System (EMS), is expected to hit Dutch exports and squeeze exporters' profit margins this year.

Moves by West Germany, the UK and the US to trim their taxes have exacerbated worries over high Dutch taxes and the floor they put under wage and manufacturing costs. Marginal income tax rates peaked at 72 per cent and social security premiums can add another 13 per cent.

Patrick Cockburn reports on a Soviet swing towards 'sensible sufficient defence'

Military influence on the wane inside Kremlin

MR MIKHAIL GORBACHEV's willingness to contemplate radical cuts in the Soviet nuclear forces and the extended unilateral test ban which ended last month are both strong evidence that the influence of the Soviet military is on the wane in the Kremlin.

The new leadership sees its relationship with America and its allies in predominantly political terms. Despite the growth in US defence budgets under President Reagan, it regards military parity, achieved in the late 1960s when Moscow built up its Intercontinental Ballistic Missile (ICBM) force to equal Washington's, as solid.

This basic confidence in the stability of the military balance between the superpowers underlies the more flexible Soviet approach to arms control over the past two years. Mr Gorbachev shares the view of Mr Georgy Arbatov, head of the USA and Canada Institute, expressed in the mid-Seventies, that "military force has become all the more difficult to translate into political influence."

But in 1984, just before Mr Gorbachev came to power, Marshal Nikolai Ogarkov, the Soviet Chief of Staff, was vigorously expressing the army's need for expensive high technology conventional weapons. His dismissal later that year was accompanied by editorials in the Communist Party daily newspaper, Pravda, and the army daily Red Star saying that social programmes could not be sacrificed to meet defence needs.

Sokolov: in tune with reform

Today Mr Gorbachev takes care to stress that high US defence budgets are an attempt to spend the USSR into bankruptcy or to sabotage economic reform. Last month he told the trade union congress in Moscow that the Soviet Union would do enough to defend itself, "but we shall not take a single step over and above the demands and requirements of sensible sufficient defence."

Mr Gobachev's emphasis on the political rather than the military constituents of the balance of power with the US has been accompanied by two other changes which have reduced the institutional clout of the Soviet military.

Most important is the shift of control over foreign and security policy away from the military and towards the Communist Party secretariat. The appointment of Mr Anatoly Dobrynin, for 24 years ambassador to Washington, to be party secretary in charge of foreign policy in 1986, means that the military has less say in determining the degree of threat the USSR faces from the US or anybody else.

Secondly, the election of Mr Gorbachev as Communist Party General Secretary saw the passing of a generation of Soviet leaders who made their reputations in the Second World War and whose view of world politics was more militarised than that of their successors.

Mr Gorbachev has also changed some of the older commanders — Naval Commander Admiral Sergei Gorshkov and General Aleei Yepishev, in effect the army's Chief Commissar.

"Not all our commanders, political instructors and staff officers have fully realised the essence of reconstruction, defined their role and position in it, understood that it is necessary to begin with themselves," Marshal Sergei Sokolov, the Defence Minister and a non-voting member of the Politburo, said last month.

Certainly Marshal Sergei Akhomromeyev, the Chief of Staff who succeeded Marshal Ogarkov, has publicly committed himself to all Mr Gorbachev's disarmament initiatives. At the summit with President Reagan in Reykjavik last October he headed the working group which detailed the package of nuclear arms cuts, including the agreement on medium range nuclear missiles now to be negotiated separately.

There is no sign, however, that the reduced political leverage of the armed forces has meant they have less share in the allocation of resources. Soviet military spending is put by the US at between 13 per cent and 15 per cent of gross national product and there is no sign of this being reduced.

An overall thaw in relations with the US would ultimately allow the transfer of Soviet resources from the military to the civilian side, but in the short term a cut in medium range or strategic nuclear weapons would have very little economic pay-off for the Kremlin.

Nuclear arsenals are cheap compared with conventional weapons. It is the high technology conventional weapons, which Marshal Ogarkov hankered after, which are the most costly item in the procurement budgets of both the US and the Soviet Union.

Mr Gorbachev knows that a cutback on defence needs in this expensive area would significantly boost his plans for economic restructuring.

An assessment by the US Central Intelligence Agency and Defence Intelligence Agency last year concluded that, as a result of investment in the defence industry, "almost all of the production capacity required to support Soviet force modernisation over the next six years or so is already in place."

No doubt the armed forces will fight hard to maintain their share of Soviet resources, but they have a vested interest in the success of Mr Gorbachev's efforts to modernise economic management and raise the technical level of industry. It is this which ultimately determines the ability of the Soviet Union to maintain conventional military parity with the US.

The Soviet Union yesterday staged its second nuclear test since it ended its 19-month moratorium on nuclear testing last mouth. The 20-kiloton explosion took place at the traditional Soviet test site inside a hill at Semipiatinsk in Soviet Central Asia. It was held with "the aim of improving military equipment," the Soviet news agency Tass said. The end to the unilateral Soviet test ban on February 26 followed the refusal of the US to end its tests and fears that the Soviet Union would fall behind militarily unless it resumed testing, according to Soviet spokesmen.

Hopes rise for Andreotti-led government

BY JOHN WYLES IN ROME

ITALY'S Christian Democrats are beginning to nurture cautious hopes that Mr Giulio Andreotti, their veteran prime ministerial candidate, may succeed in forming a five-party coalition government.

Their optimism has been increased by the clear withdrawal by Mr Bettino Craxi, the outgoing Socialist Prime Minister, of any threat to block Mr Andreotti on the grounds that he is being foisted on the other parties by overbearing Christian Democrats.

"It seems to us that a common desire is emerging to find a government capable of seeing out the current legislature under Christian Democrat leadership," said Mr Ciriaco De Mita, the party's secretary and Mr Craxi's main adversary, after talks with Mr Andreotti yesterday.

Although he may well change his mind, it appears that Mr Craxi does not want to be seen as responsible for tripping up Mr Andreotti and pushing the country into general elections before they are due in June next year.

A source close to the Socialist leader, who is keeping out of the limelight, said yesterday that Mr Craxi had been influenced by foreign newspaper editorials arguing that he should provide statesman-like support for Mr Andreotti.

However, Mr Craxi wants the "crisis" to be prolonged until after his party's congress at the beginning of April. "We don't want any internal inquests into the terms on which we agree to support Andreotti," said his close ministerial colleague.

However, at the moment Mr Craxi's flexibility has precise limits and these concern the referenda over nuclear power and the responsibilities of the judiciary which are due to take place on June 14.

In soundings among all the other potential coalition partners—the Republicans, Liberals and Social Democrats — Mr Andreotti has encountered a burning desire to exploit the government's constitutional power to avoid a referendum through pre-emptive legislation.

"An alliance paralyzed by the referendum problem would not hold," said Mr Giovanni Spadolini, the Republican leader on Wednesday, reflecting the generally held view that, unless resolved beforehand, the parties' conflicting positions on the issues would tear the coalition apart and lead to early elections.

The Socialists are saying that any new government should not seek to prevent the Italian people from voting on issues of key national concern. If Mr Craxi held to this position, Mr Andreotti's efforts would probably end in failure and early elections, but he may just be buying time and bidding for policy concessions, particularly over nuclear energy.

Athens hits at US policy on Turkey

By Andriana Ierodiaconou in Athens

GREECE yesterday warned the US that the condoning of the presence of Turkish troops in Cyprus and preferentially arming Turkey would damage relations with Athens.

At the core of the two countries' relations is the presence of four US military bases in Greece, operating under an agreement which expires at the end of 1988. Washington is seeking to launch talks with Athens before the end of this year for a new bases agreement.

The Greek warning was delivered in an official protest by Mr Karolos Papoulias, the Foreign Minister, to US Ambassador to Athens Mr Robert Keeley.

The move was prompted by remarks on the Turkish military presence in Cyprus made before the Senate foreign relations committee earlier this week by Lieut Gen Philip Gast, the senior Pentagon official responsible for security assistance.

Echoing recent statements by Mr Caspar Weinberger, the US Secretary of Defence, Mr Gast reportedly said Turkish troops in Cyprus, which are equipped with US weapons, were serving defensive purposes.

Haughey Cabinet ponders tough budget measures

BY HUGH CARNEGY IN DUBLIN

MR CHARLES HAUGHEY, the new Irish Prime Minister, chaired a lengthy first meeting of his Fianna Fail Cabinet yesterday, which included discussion of the budget which is due to be presented to Parliament on March 31.

The Government has already warned that the budget will have to contain tough measures to try to tackle the country's heavy debt burden. With government spending still outstripping revenue by 30 per cent, the national debt has grown to I£24bn (£21.7bn), or nearly 150 per cent of gross national product.

A key part of Fianna Fail's economic policy is to try to reduce Ireland's high interest rates to generate more growth and help reduce unemployment of nearly 20 per cent of the workforce.

There have been some signs in the markets over the past two days that interest rates, at about 13 per cent for prime borrowers, may soon begin to move downwards. The recent strengthening of sterling has brought a corresponding slide in the value of the Irish pound.

Dealers say if this trend continues after the British budget next week, large capital outflows from Ireland into what was perceived as cheap sterling should begin to flow back, easing interest rate pressure in Dublin.

The Cabinet was also likely to have discussed the resignation on Wednesday of Dr Garret FitzGerald, the former Prime Minister, as leader of the Fine Gael party. Fianna Fail will be hoping that Fine Gael sticks to Dr FitzGerald's pledge to support the Government if it takes tough action in the budget.

Hungary and Romania in war of words

By Leslie Colitt in Berlin

HUNGARY and Romania have traded their strongest accusations in a war of words over the alleged suppression of the 1.8m Hungarian minority in Romania.

Mr Gyula Horn, State Secretary in the Hungarian Foreign Ministry, responded to a recent scathing attack on Hungary by Mr Nicolae Ceausescu, Romania's leader. Speaking on Hungarian TV, Mr Horn rejected as "absurd" charges that Hungary aimed to revise the border between the two Warsaw Pact allies.

Mr Ceausescu had accused Hungary of reviving "fascist, chauvinists and even racist theses." He sharply attacked the Hungarian Academy of Sciences for issuing a three-volume History of Transylvania edited by Hungary's Minister of Culture.

Most ethnic Hungarians in Romania live in Transylvania, which was awarded to Romania in 1919 but later briefly occupied by Hungary.

NBC backs satellite TV for hotels

By Raymond Snoddy

AMERICAN EXPRESS and NBC of the US are backing plans for a new 24-hour satellite news channel aimed at the leading hotels of Europe and later cable television networks.

AngloVision, a new communications company, plans to launch the service aimed at the up-market business audience in late May or June.

American Express, NBC and Independent Newspapers of Ireland each have a 30 per cent stake in the venture. The last 10 per cent is held by the entrepreneur behind the project, Mr Andy Mulligan, a former Irish rugby scrum-half and reporter, and producer on the BBC current affairs programme Panorama.

Mr Mulligan played rugby for Ireland with Mr Tony O'Reilly, the leading Irish businessman who is chairman of Independent Newspapers.

The satellite channel, which will carry NBC's news output such as the breakfast programme Today and the Nightly News with Tom Brokaw, will also feature business and sports news.

Exploratory talks have also taken place with Mr Ted Turner's CNN, the BBC, CBC in Canada and Channel 7 in Australia.

"We will make a virtue of the diversity of sources of programming," Mr Mulligan said yesterday.

Initially the service will be aimed at the 120,000 business category rooms

Spain to seek EMS membership

BY DAVID WHITE IN MADRID

SPAIN wants to bring the peseta into the European Monetary System, Mr Felipe Gonzalez, the Prime Minister, said yesterday. He did not give a date for joining, however.

Madrid's decision to seek membership of the seven-currency system was discussed yesterday in summit talks with President Francois Mitterrand and members of the French Government.

Mr Gonzalez said Spain still needed to work out the necessary precautions to enable the peseta to co-exist with the other currencies.

It is expected to seek an extra margin in the peseta's fluctuation band similar to the range of movement permitted for the Italian lira.

When it joined the EEC last year, Spain left the question of EMS membership open, at least until it had reduced its inflation gap with the rest of the Community.

Since December, Spain's 12-month inflation rate has dropped from over 8 per cent to under 6 per cent.

In a joint press conference, Mr Gonzalez also confirmed Spain's desire to join the Western European Union, the seven-nation defence forum, and that France supported this move.

The two countries, which are both members of Nato without belonging to the alliance's military command structure, "began a reflection" on their respective defence roles in the air and sea space of the south-western Mediterranean.

Areas of possible defence co-operation still to be decided on included satellites, France's Rafale fighter project and a new generation of tanks, Mr Gonzalez said.

Mr Mitterrand said that Spain and France were "on the same wavelength" on defence, and that he and Mr Gonzalez coincided in giving a cautious welcome to Mr Mikhail Gorbachev's latest proposal for a separate Soviet-US agreement to eliminate medium-range nuclear weapons.

Spain's growing labour unrest took a sudden violent turn yesterday when civil guards were sent into a small state-owned steel company in the northern region of Cantabria to free the company's chairman. Four civil guards and four workers were seriously injured in the fighting.

Mr Enrique Antolin, the chairman, was recently appointed as one of the Socialist Party's representatives in the neighbouring Basque country's new coalition government.

Employees of Forjas Y Aceros de Reinosa took Mr Antolin and other directors hostage on Wednesday in protest against plans to axe almost 500 of the company's 1,700 jobs. Antolin, who has been given the transport and public works portfolio in the Basque country, was later sworn in with the rest of the government in the Basque capital, Vitoria.

Greenland may face election

By Hilary Barnes in Copenhagen

Mr Jonathan Greenland's home rule Prime Minister, yesterday to call an election in May following the break-up of his coalition Government as the result of a quarrel over the modernisation of the US radar facility at Thule in north-west Greenland.

Mr Motzfeldt, leader of the moderate left-wing Siumut party, was criticised by the Inuit party, a more extreme left-wing group, for taking an uncritical attitude to the modernisation.

The US has converted the radar facility into a phased array radar, which the Soviet Union claims conflicts with the 1972 ABM Treaty. But Mr Motzfeldt said the criticism made further co-operation with Inuit impossible.

Greenland has had home rule status since 1979. Denmark retains responsibility for defence and foreign policy.

Mediterranean countries to meet on labour problems

BY JOHN WYLES

MINISTERS of Labour from 10 Mediterranean countries are to meet in Tunis later this month for one of the first conferences of its kind on mutual employment problems.

The breadth of support for this Italo-Tunisian initiative from northern Mediterranean countries partly reflects current difficulties in employing immigrants from the north African littoral and Turkey, and fears about future immigration pressures caused by population growth in southern Mediterranean countries. France, Spain, Jugoslavia and Greece will also be represented.

Mr Gianni Dé Michaelis, Italy's Minister of Labour, said that it would be quite wrong for the EEC to build a protective barrier around its labour market and leave the Mediterranean's developing countries to languish with their population problems.

Mr Nouraddin Mejdoub, the Tunisian Ambassador to Rome, said that populations along the southern Mediterranean shore will have grown by 170m in the second half of this century. Youth unemployment was becoming particularly grave and he implied that these countries needed to be able to continue to export some of their labour surplus to Europe.

US Scandinavia air free-for-all proposed

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SCANDINAVIAN Governments have proposed free competition in transatlantic air traffic between Sweden, Denmark and Norway and the US.

The proposals put forward during negotiations this week in Washington suggest free pricing as well as free market access on equal terms.

The talks between the US and Scandinavian Governments were one of the conditions set by the Scandinavian authorities when they approved hefty fare reductions on the Copenhagen-New York route in January.

An air fare price war broke out on this route after the Danish Government gave approval to Tower Air, a small US independent, in co-operation with Tjaereborg, the Danish travel group, to introduce low fares.

The proposal put forward by the Scandinavian Governments in Washington this week has the backing of SAS, the Scandinavian airline, which has been seeking permission to expand its destinations in the US beyond the present four cities of New York, Los Angeles, Seattle and Chicago.

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Competitors eye West Germany's beer market after EEC ruling

FT Reporters sample some heady brews on offer from the world's drink industry

BRITAIN'S Brewers' Society was quick to acknowledge yesterday that West Germany's closest neighbours will be the main beneficiaries of the European Court of Justice's ruling that German beer purity laws breach EEC free trade rules.

French, Dutch and Belgian companies with sources close to the German border may make some sales gains. For the rest, however, the cost of transporting what is basically flavoured, fortified water for any distance is likely to prove just as prohibitive as the strictures of Germany's ancient Reinheitsgebot.

There may be some exceptions. There will probably be opportunities for brewers with specialist bottled offerings.

Guinness, which sells well in Germany, is a case in point. The Australians also have shown what can be done through their willingness to back their faith in their products with investment in marketing.

Their heavy expenditure on shipping lager round the world has paid off handsomely in the UK.

However, opportunities in Germany will probably remain limited by the fragmented structure of the industry—more than 1,200 brewers serve a wide range of local tastes—and the inherent conservatism of German drinkers.

German brewers are unlikely to change their recipes, and the legacy of hundreds of years of Reinheitsgebot could even reinforce national adherence to beer brewed simply from malt, hops, yeast and water.

Where the Germans have one law governing brewers, Britain has at least seven, covering ingredients in general, and miscellaneous additives, colours, preservatives and stabilisers in particular.

UK brewers may use sugar, grains other than barley, alginates to brighten the beer, alginate-esters to stabilise the head, ascorbic acid and sulphur dioxide to preserve the brew, caramel to colour it, enzymes like the meat-tenderiser papain to speed fermentation and isinglass to clear the brew.

The result, as Britain's 110-litre annual consumption testifies per head, is a popular product—in the UK. Performance overseas is less encouraging. Exports last year to the whole of the rest of the world amounted to less than 2 per cent of production. The fashion for Guinness has made the US the top export market, followed by Belgium, Italy and Ireland.

However, Denmark's United Breweries, which claims its Tuborg brand has the biggest share of the German market of any imported beer, will continue to brew beer sold to Germany to the Reinheitsgebot recipe, the brewery said yesterday. More than two-thirds of the beer sold by United is sold outside Denmark. It also has breweries in the UK, Spain and Italy.

United has not publicly expressed an interest in acquiring a German brewery, but it is known to be looking carefully at the possibility.

Danish beers are subject to compulsory labelling requirements and additives must be declared.

The court decision is bound to be welcomed by US brewers, notably St Louis-based Anheuser-Busch, the world's largest brewer. Last year, US brewers exported just 0.3 per cent of their production — but this excludes beer brewed overseas.

American beer, which often tastes insipid to Europeans, must contain malted barley and hops, according to the Washington Bureau of Alcohol, Tobacco and Firearms. However, it can also contain other malted cereals (such as rice), carbohydrates and carbon dioxide.

Forbidden additives run to a "huge list." Bottles and cans carry no ingredient labels although the Food and Drug Administration has ordered that from next year brewers display the level of sulphites in the brew, which can be harmful to asthmatics.

The bulk of Ireland's 1.7m hectolitre annual beer exports is accounted for by Guinness stout, most of it going to the UK, but some to Continental Europe, including West Germany. Guinness contains no additives and fully complies with German purity laws, according to brewers in Dublin.

There is no legislation in Ireland governing the labelling of ingredients in beer.

The French beer industry yesterday welcomed the court ruling, which is expected to give it finally access to the West German beer market. For years, the German obstacles to French beer exports had been a source of major friction between the two countries.

The structure of the French beer indsutry is now such to give France possible advantages to penetrate the West German market. The French industry is concentrated in the hands of two large groups which are expected to have the necessary resources to penetrate the West German market.

The French foods giant BSN is the leading brewer in France with about half of the French market. The other big French group is the Francaise de Brasseries, which is a subsidiary of Heineken and controls more than a quarter of the French market.

French brewers emphasised yesterday that the additives used in France were limited and that they expected the Germans to have difficulty raising further objections.

While old technology reigns in most beer drinking countries, new technology offers some possible assistance to the world beer trade.

Processes have been perfected by leading brewers in Britain and the Netherlands for concentrating beer into a highly intoxicating syrup.

In theory, rather in the fashion of pub cola dispensers, the syrup can be diluted into an acceptable drink, reputedly indistinguishable from "real" beer by the addition of carbonated water at the bar.

AMERICAN NEWS

Reagan report on Soviet arms record scorned

BY STEWART FLEMING, US EDITOR IN WASHINGTON

CRITICS of the Reagan Administration's arms control policies yesterday poured scorn on the White House's latest report to Congress on Soviet compliance with US/Soviet arms control agreements describing it as a "total distortion" of the Soviet record on arms control.

Earlier this week the White House released its annual report on compliance which again took Moscow to task for not living up to its obligations under the 1972 anti-Ballistic Missile Treaty and other arms control accords.

The report again cited such alleged violations of past accords as the construction of a large phased array radar at Krasnoyarsk which the US has repeatedly alleged violates the ABM treaty.

At a briefing yesterday on the report, Mr Spurgeon Keeny, president of the Arms Control Association, said only one of the alleged breaches of the seven treaties and agreements is clear cut and the others are ambiguous or "probably wrong."

Mr Michael Krepon, an arms control specialist with the Carnegie Endowment for International Peace, said the annual reports "have become more embarrassing to the Reagan Administration than to the Russians."

Mr John Steinbruner, director of Foreign Policy Studies at the Brookings Institution, a Washington think tank, said the President's assessment of treaty compliance "made no attempt to make a fair judgment."

In testimony before a Senate committee on Wednesday Democratic Senator Sam Nunn charged that the Administration had misrepresented the terms of the 1972 treaty and that he had found a series of authoritative statements in the record of Senate ratification of the treaty which "flatly and unequivocally contradicted" the Administration's assertion that a broader interpretation of the treaty than the traditional one was legally justified.

Deaver bid to halt perjury case fails

BY LIONEL BARBER IN WASHINGTON

MR MICHAEL DEAVER, the former White House aide who still advises President Ronald Reagan, has suffered a legal setback in his efforts to block a special prosecutor filing perjury charges against him.

The charges arise from an investigation into Mr Deaver's activities as a Washington lobbyist after he left the White House in May 1985. These are alleged to have violated conflict of interest laws.

Mr Deaver had tried to block the special prosecutor's investigation by challenging the constitutionality of the law under which the independent counsel was appointed—the Ethics of Government Act of 1978.

On Wednesday, a federal judge in Washington turned down Mr Deaver's request to block the threatened indictment. Mr Deaver is expected to appeal.

Mr Deaver's court action is similar to moves by Lt Col Oliver North, the White House aide sacked for his role in the Iran arms scandal.

Meanwhile, the House and Senate select committees investigating the Iran arms scandal voted to give limited immunity to the first key witnesses in the affair, an Iranian businessman Mr Albert Hakim.

Mr Hakim, a business associate of the retired US Air Force General Mr Richard Secord, an important figure in the covert US arms sales to Iran, could provide crucial detail on how the profits were apparently skimmed off to fund the Nicaraguan Contra rebels.

Perle to quit Defence Department

By Stewart Fleming in Washington

MR RICHARD PERLE, the US assistant Secretary of Defence, is resigning to become a defence consultant and to write a novel based in part on his experiences in Washington.

Mr Perle, a hard-line conservative, is widely regarded as the most able and articulate critic of past arms control agreements between Washington and Moscow.

The decision, which has long been rumoured, brought sharply conflicting assessments of its implications for the arms control negotiations underway between the US and the Soviet Union.

Mr Spurgeon Keeny, president of the arms control association and an outspoken critic of the Reagan Administration's policies towards Moscow on arms control, said: "I do not mourn his departure, but I do not think it will radically change the situation."

The news was greeted with concern by some conservatives on Capitol Hill.

"It could not come at a worse time", one said. It would be difficult to find a replacement with the influence in the Administration and the expertise on arms control issues which Mr Perle was able to command.

Some conservatives fear that the White House might make agreements with Moscow which would require the US to compromise on issues such as research, the testing of space weapons, and verification of arms control accords, which they believe are not in US interests.

The combination of Mr Weinberger and Mr Perle's hard line views on the inadequacy of past arms control agreements, and the importance they have attached to issues such as stringent verification and the need to pursue the President's strategic Defence Initiative, have been interpreted as factors which have made it more difficult for Washington and Moscow to conclude new arms control agreements.

Tim Coone in Buenos Aires reports an annual exodus to answer the call of the sea

Argentina's middle class goes on holiday

THE ARGENTINE on holiday abroad was once known by the nickname "Da-me-dos." Translated it means "give me two," a reference to the legendary, although long affluence of the average Argentine tourist, who in the archetypal encounter with the seller of a souvenir, an article of clothing or a restaurant meal, on being told the price, would response "OK give me two."

Argentina's economic situation does not justify such an observation today but like all apocryphal tales, the description carries an element of truth. The southern hemisphere holiday season is now drawing to a close.

Every year the call of the sea, the blazing sun waiting to toast skins a deep shade of brown, and the parade of scantily-clad sirens along the beaches of the region's resorts, lure the Argentines to spend some $1bn on tourism.

Resorts from the exotic Rio de Janeiro in Brazil, to the boomtown Punta del Este in neighbouring Uruguay with its yacht clubs and expensive discotheques, through to Argentina's own version of Miami beach known as Mar del Plata, have all been competing for a share of this huge consumer spending jamboree which takes place between January and March.

In homage to this annual ritual (during which many businesses and government offices become practically non-functional) the local newspapers run daily reports from the main tourist centres, sporting the inevitable photographs eulogising Argentina's female youth garbed in ever-decreasing strips of cloth known as the "cola-less" bikini (the most recent version of which is now termed the "dental floss").

One daily financial paper in Buenos Aires even publishes a daily cinema guide to the Punta del Este cinemas – the businessman on holiday can keep watch on his investments and still relax with his news from home.

The middle and upper class Argentines range as far afield as the Middle and Far East for the vacations. One upper-ranking Government official confessed recently he went on a Christmas tour to the Egyptian pyramids and the Holy Land. According to the Ministry of Tourism, more than 300,000 Argentines regularly visit Western Europe each year, especially Italy, Spain and France.

However, the real honey-pots for Argentina's affluent middle and upper classes are Rio de Janeiro and Punta del Este. Brazil in particular has become the major attraction, for its low prices and its permissive and easy-going beach culture and night life. In 1983, some 250,000 Argentines visited Brazil. The following year this had almost doubled to 450,000 and this year the figure is expected to reach as high as 800,000 tourists.

Even the scourge of Aids in Brazil, where government alarm has promoted public education campaigns and widespread distribution of condoms, has not been able to stem the flood of Argentines, although Health Ministry officials are threatening to begin screening tests of travellers returning from Brazil.

According to a report, Brazil has spent up to $8m in publicity and advertising campaigns in Argentina this year to attract the "portenos," the residents of Buenos Aires, where most of the country's wealth and spending power is concentrated.

In contrast, the Uruguayan Government has spent a mere $90,000 this season to attract business and the country's tourist industry has been doubly hit by the slide of Argentina's currency and a drive by Argentina's Ministry of Tourism to promote holidays at home rather than abroad.

"The result has been that there has been an estimated drop of 25 per cent in the number of Argentine visitors to Uruguay this year in the peak season (there were 380,000 last year) and a corresponding increase of 30 per cent in the number of visitors to the main tourist resorts on Argentina's Atlantic coast centred on Mar del Plata.

The problem is so serious in Uruguay that representatives of the Uruguayan tourist industry called for the resignation in January of Mr Alfredo Silvera Lima, the Tourist Minister, for the Government's "lack of tourism policy".

Meanwhile, in Mar del Plata, hotels have reported 100 per cent occupancy rates and police figures show that 3m Argentines have flooded in to the resort since the beginning of the holiday season in December.

Vaguely reminiscent of Italy's Rimini, where one's square metre of space on the crowded beaches is preciously guarded against rival beach towels and umbrellas, Mar del Plata is Argentina's tourist mecca. It is the site of the trade union-owned hotels and holiday complexes, but where neighbouring beaches also attract visitors from across the social stratum.

The state-owned casino in the city attracts 15,000 gamblers and sightseers every day, ranging from vehicle fitters to elegantly dressed grandmothers, and businessmen and financiers from the capital eager to try their luck on the roulette wheels instead of the foreign exchange and stock markets in Buenos Aires. In so doing they help to reduce the Government's fiscal deficit.

Mar del Plata – literally the silver sea – is not so appropriately named these days. A report produced three years ago by the Institute of Microbiology located at the resort, showed that raw sewage pumped into the sea along the coastline has raised infectious coliform levels in the seawater to dangerous proportions.

A conspiracy of silence surrounds the problem and only one left-wing magazine has dared to give any coverage to the issue. According to municipal officials, the local government lacks funds for adequate sewage treatment facilities and an underwater pipeline.

However, there appears to have been no major public health problem as yet, and the principal complaint against the resort seems to be directed at the conservative mores of Argentina's society.

"The national capital of platonic love" ran the headline of a report in one daily paper recently. The "cola-less" fashion is for looking but not for touching it seems. Whereas Rio is considered the social haven for the single and the adventurous, Mar del Plata apparently has only six "transitory hotels," the places usually associated with casual holiday affairs, lamented the article.

One may ask where do the rest of Argentina's 30m inhabitants go for their holidays? Those unfortunate enough not to be middle class or a member of a financially powerful trade union with its own subsidised vacation facilities, stay at home, visit the parks in the capital or risk a dip in the murky River Plate.

Argentina still has a large and thriving middle class which likes to spend and to show it has money to throw around. The "da-me-dos" reputation is not without foundation. For the rest, economic recession makes holidays something of a luxury and the Government's austral plan has cut back living standards for those on fixed incomes, especially in the state sector.

The Communist Party newspaper was moved to permit itself a dash of seasonal ideologically-correct humour recently, when it published on its front page a drawing of a nearly nude woman wearing the briefest of "cola-less" bikinis made out of Argentine banknotes. The caption read "next the salary-less, every year it covers less."

Ecuador estimates losses from earthquake at $600m

BY SARITA KENDALL IN QUITO

PRESIDENT Leon Febres Cordero of Ecuador has estimated the total losses from the earthquake that struck the country last week at about $600m (£377m), including $370m in lost oil exports. At least 1,000 people are thought to have died and 4,000 are missing around El Reventador in the north-east foothills of the Andes mountains.

A landslide and flood which followed the earthquake tore away more than 17 miles of the trans-Andean oil pipeline, a gas pipeline and roads and bridges. The oil pipeline carries Ecuador's Amazon production to the Esmeraldas state refinery and the export terminal on the Pacific coast.

Reconstruction will probably take at least five months. Offers of materials are being received from the US, Canada and Japan.

The government has revived a plan to build a connecting link to the Colombian pipeline which crosses the Andes from the Putumayo and is currently operating well below capacity. The link should be completed in six weeks and will allow between 30,000 barrels and 50,000 barrels a day to be shipped from the Amazon to Esmeraldas for refining.

Although petrol is being rationed and private cars are allowed on the road only every other day, it will be difficult to keep the local market supplied. Venezuela has offered to loan 5m barrels of crude over the next few months.

An unconfirmed report published in Caracas said Venezuela would supply petroleum to some of Ecuador's international clients under a similar loan arrangement.

The government also needs oil income to finance state sector imports and to service its $8.4bn debt. Ecuador failed to make an interest payment earlier this year and it will not be able to pay the $1.3bn in interest and amortisation due in 1987.

Ecuador struggled through 1986, taking a large cut in oil earnings as a result of low prices. Income from coffee is falling and harvests will be affected by the earthquake and by heavy rains on the coast.

Ultra-right parties fail to agree poll pact in S Africa

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA's two ultra-right parties, the Herstigte Nasionale Party (HNP) and the Conservative Party (CP), have failed to agree on an electoral pact which political analysts believe would have allowed the two parties to gain seats from the ruling National Party (NP) in the white general election on May 6.

Apart from taking some pressure off the NP, the right's failure to agree on an electoral coalition has improved the chances of the Progressive Federal Party (PFP) continuing as the official white parliamentary opposition.

Talks between the HNP and CP have been far from amicable, as the parties differed in their interpretations of the creed of white supremacy.

But hopes of an election pact and an eventual merger of the parties were raised at the weekend when both parties appeared to agree with compromise electoral proposals devised by the extreme Afrikaner Weestandsbeweging (AWB).

Those compromise proposals proved insufficient late on Tuesday night when the HNP rejected CP proposals on a division of seats to be contested in the May election and an end-1987 deadline for a merger of the two parties.

Political analysts believe that in the Transvaal alone, an HNP-CP coalition could win about 15 constituencies from the NP, giving it more parliamentary seats than the PFP and allowing the ultra-right coalition to become the official opposition.

That outcome, it is believed, would lead the Botha Government to reverse its stalled reform programme. They add that reforms are only likely to resume if the PFP remains the official opposition.

Both the HNP, which was formed by break-away NP members over a decade ago, and the CP formed by an NP splinter group in 1982, have steadily won the support of former NP members and have demonstrated their growing support in by-elections during the past three years.

President P. W. Botha was partly motivated to call this year's election by fears that a delay until the constitutionally defined 1989 poll date would leave his party weakened by further loss of support.

Nigerian army 'will shoot Kaduna rioters'

THE NIGERIAN army warned yesterday it would shoot rioters involved in murder or arson in the northern state of Kaduna—scene of religious clashes in which 11 people have died, Reuter reports.

Lagos Radio broadcast the warning and quoted Brig Peter Ademokhai, commander of the First Mechanised Division based in Kaduna, as saying the measure was necessary to prevent a complete breakdown of law and order.

Troops and police mounted joint patrols in Kaduna yesterday.

The patrols enforced a dusk-to-dawn curfew imposed by the federal military government which also closed schools and colleges in the mainly Moslem state.

The outbreak of mob violence and arson in at least three cities was the worst in Nigeria's volatile north since 1985.

It was sparked by fighting between rival groups of students last weekend in Kafanchan, a railway town which is one of the few places in the north with a Christian majority.

Clashes spread to the university city of Zaria and to Katsina.

"Preliminary reports traced the disturbance to some undesirable elements hiding under the cover of religion as an excuse to breach public peace," the statement added.

The military governors of all 10 northern states, including Kaduna, who were in Lagos for a routine meeting yesterday, were told to return immediately to their states, officials said.

The violence was the most serious since April 1985, when 101 people died in the northern city of Gombe after armed police moved against followers of a Moslem prophet from Cameroun, Alhaji Mohammadu Marwa.

Sweden to ban trade with South Africa

By Kevin Done, Nordic Correspondent in Stockholm

SWEDEN IS to impose a total boycott on trade in goods with South Africa in a move that marks a unique departure from its traditional foreign and trade policy.

The principles of Swedish neutrality have previously ruled out the country's participation in any trade sanctions except those agreed by the UN Security Council.

Following the failure of the Security Council last month to agree on binding sanctions in the face of vetoes from the US and the UK, Sweden's Social Democratic Government has decided to take unilateral action.

The decision came even though Mr Sten Andersson, Swedish Foreign Minister, accepted that the trade boycott was a breach of international trade law embodied in the General Agreement on Tariffs and Trade (Gatt).

The embargo, which is expected to be supported by all the opposition parties, except the conservatives, will come into force from the beginning of October.

The Swedish Foreign Ministry said yesterday that the government had decided to act because of the "unique circumstances" in South Africa.

In no other country was the "systemac violation of a majority people's fundamental rights constitutionally entrenched as in South Africa."

Initially, the embargo covers goods and not services, and the Government is for the moment not taking any direct action to force Swedish companies with subsidiaries in South Africa to dispose of their local operations, although continuing links will now be circumscribed.

Under previous measures, it is already forbidden for Swedish companies to invest in South Africa or transfer technology through patent or licensing rights.

Mrs Anita Gradin, Sweden's Foreign Trade Minister, admitted yesterday that any moves to force Swedish companies to pull out of South Africa would raise considerable legal problems and could give rise to substantial damages claims from Swedish corporations.

South Africa accounts for some 0.3 per cent of Sweden's total exports, which have comprised chiefly machinery, pulp and paper, vehicles and office equipment.

President arap Moi may face some criticism during his US visit, **Andrew Buckoke** reports

Kenya braces itself for 'year of discipline'

WHEN President Daniel arap Moi recently declared that 1987 would be the "year of discipline," most Kenyans understood that it was not just a call for hard work. It was a clear warning that the Government was determined to continue a crackdown on dissent in a country which has long been regarded in the West as a rare example of stability, tolerance and comparative prosperity on a troubled continent.

The reputation helped win Kenya a "most favoured nation" status in the eyes of its two main allies in the West—Britain and the US—who have put the country at the top of their African aid list.

The reputation, however, is under strain. This week President Daniel arap Moi may face some tough questioning on his visit first to Washington, where he will meet President Reagan, and then to London for talks with Mrs Margaret Thatcher, the British Prime Minister.

By contrast with neighbouring Tanzania and Uganda, or indeed with most states of Africa, the economy appears sound, as the well-stocked shelves of Keyan supermarkets would testify. But it is fighting what seems a losing battle to keep pace with the demands of a 4 per cent annual growth in population—the highest in the world. On the political front, a shadowy opposition movement known as Mwakenya has provoked an unprecedented clampdown on opposition to the ruling Kenya African National Union (Kanu), the country's sole legal party.

On the economic front there may at first sight appear little cause for concern, for 1986 was a boom year when GDP grew 5 per cent compared with an average of 3.4 per cent between 1978 and 1985. High world prices for coffee—Kenya's main foreign exchange earner, together with tea—pushed exports up 20 per cent to $940m, tourist receipts also rose 20 per cent to $300m, leaving the country with a $23m balance of payments surplus.

The boom, however, is over. Coffee prices have fallen, and the capacity of the country's infrastructure to service tourists—some of whom may be put off by concern about Aids (acquired immune deficiency syndrome) in Kenya—is fully stretched.

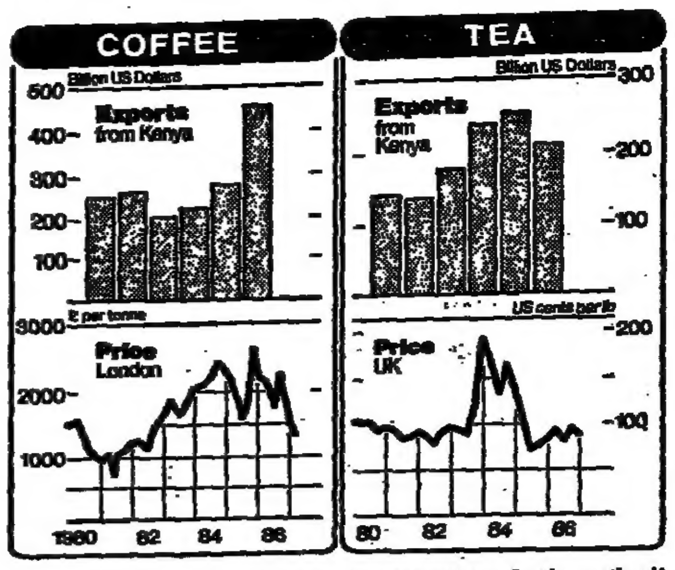
At the same time, pressure is increasing on Kenya's scarce land resource—only 18 per cent of the country is classified as high or medium agricultural potential—while hopes that the industrial sector can switch from import substitution to exports are proving optimistic.

According to Professor Jonathan Ng'eno, Minister of Commerce and Industry, the proportion of manufacturing output has actually fallen, from 7 per cent in 1980 to 4.5 per cent in 1984.

With neither agriculture nor industry able to expand at a rate which meets the demand from over 300,000 school leavers entering the market each year, competing for around 20,000 jobs in the formal sector, unemployment is likely to rise to critical levels.

Rising unemployment, growing land hunger, and a widely-held belief that corruption is rife is a dangerous combination, as an abortive coup in 1982 illustrated.

It is these issues, together with accusations that the country's economy is in the hands of an alliance of foreign investors and a domestic elite, that appears to fuel Mwakenya. It is a clandestine, overtly Marxist and passionately nationalist movement which first emerged last year and declares its objective as the overthrow of "the neo-colonialist government" through guerrilla action.



Within the last year over 65 people have been jailed for their connection with the movement—even possession of one of its leaflets is treated as a serious offence. Its only known "guerrilla" action was a clumsy attempt to derail a train and the level of support is hard to assess. But there is a tangible degree of sympathy from intellectuals and the rural and urban poor.

Criticism of government has come from other quarters, notably the church, some lawyers and a few MPs in response to government measures which seemed designed to stifle dissent and erode the authority of parliament.

Constitutional amendments have removed the security of tenure of the attorney and auditor general. Voters at next year's elections may have to queue in public behind the candidate of their choice, effectively removing the secret ballot. Kanu, declared Mr Moi, is "supreme" over parliament, the judiciary and all other institutions.

These measures prompted an outspoken response from the bishops of the Catholic church representing 3m Catholics, accusing the party of assuming "a totalitarian role." Kanu, said the bishops, "claims to speak for the people and yet does not allow the people to give their views." Both the Law Society of Kenya and the National Christian Council of Kenya, representing about 6m Protestants, also condemned the erosion of parliament's authority.

The clampdown has intensified this year, marked by further arrests, directives closing private airstrips, the cancelling of private radio licences and the banning of unauthorised visits to foreign embassies by government officials.

Two MPs with a record of criticising the government, Mr Charles Rubia and Mr Abuya, were picked up earlier this year and held for questioning for several days. Mr Kimani Wa Nyoike, an MP who has argued for dialogue between the party and church, was sacked from his post as assistant minister for labour and suspended by his local party branch pending investigations into Mwakenya oath-taking in the district.

Two weeks ago Mr Gisson Kuria, a prominent Nairobi lawyer who has defended detainees and handled their cases against the Government alleging beatings and torture, was also arrested by plain clothes police and is now in detention himself.

So far neither the US Government—which under a 1980 agreement has access to Kenyan airports and the Indian Ocean port of Mombasa—nor Britain, which conducts military training exercises in Kenya, have publicly expressed their concern.

But an illustration of growing Western anxieties came in January. Mr Howard Wolpe, chairman of the US House of Representatives Africa subcommittee, ended a visit to Kenya with a frank attack of the Government's human rights record. "Unless it improved," he warned, "it could be very harmful to Kenya's stability and to Kenyan-American relations."

Threat to kill Beirut hostage

AN UNDERGROUND group in Beirut threatened yesterday to kill a French hostage within 48 hours unless it received an explanation of remarks by French President Francois Mitterrand on arms supplies to Iraq, Reuter reports.

A statement sent by the Revolutionary Justice Organisation said: "If an explanation is not issued within the assigned period (Jean Louis) Normandin will be put on trial and executed."

Colombo to free Tamil prisoners

BY MERVYN DE SILVA IN COLOMBO

SEVERAL hundred Tamil prisoners will be released and the economic blockade of the northern peninsula relaxed, Mr Lalith Athulathmudali, Minister of National Security said yesterday.

The decision follows Wednesday's Cabinet meeting at which President Junius Jayewardene and his ministers discussed growing Indian protest against the effect of the blockade on the 800,000 Tamils living in the Jaffna Peninsula.

"We plan to release all these over 40 years detained under the Prevention of Terrorism Act against whom charges have not been laid," Mr Athulathmudali said.

Several hundred youths have also made statements admitting complicity in terrorism-related offences, but the Attorney-General believes these may not be regarded as admissible evidence by the courts.

The minister denied Indian reports that there was an acute food shortage or any scarcity of essential medical supplies in the peninsular and said that firewood supplies would be resumed and a petrol rationing scheme introduced based on coupons to be issued by government agents.

The petrol could be collected at points just outside the peninsula, Mr Athulathmudali said.

The Government has been anxiously watching the build-up of public opinion against Sri Lanka in the important southern Indian state of Tamil Nadu, where 100,000 Sri Lankan Tamil refugees live in camps.

In the past few days, both Tamil Nadu's chief minister, Mr M. G. Ramchandran and Mr Appapillai Amirthalingam's TULF, the main Sri Lankan Tamil party, have sent urgent messages to the Indian Prime Minister, Mr Rajiv Gandhi, urging him to send food, fuel and medical supplies on humanitarian grounds "by air or sea."

Battle against Barnala moves to legislature

By K. K. Sharma in New Delhi

THE BATTLE by Sikh extremists to oust the moderate Chief Minister of Punjab, Mr Surjit Singh Barnala, has moved to the state legislature which this week began its budget session, during which a trial of strength is expected.

Mr Barnala's opponents in the legislature are the 19 members of what is known as the Breakaway Akali Party which have formed their own group after splitting the ruling Akali Party in the middle of last year.

Since then the breakaway group has merged forces with politicians patronised by the extremists and the new militant high priests of the Golden Temple in Amritsar appointed by them.

Their common attempt is to dislodge Mr Barnala from office now that the high priests have excommunicated him for sending police into the temple to oust extremists.

Mr Barnala is thought to be safe as long as Prime Minister Rajiv Gandhi's Congress-I party, which is in the opposition in Punjab, supports him.

The law-and-order situation has deteriorated so much that banks announced yesterday they will not open any more branches in the State until further notice.

Hanoi pledges better use of aid

MR Eduard Schevardnadze, Soviet Foreign Minister and Vietnam's Foreign Minister, Mr Nguyen Co Thach, have declared that their bilateral co-operation must be more efficient in future, Vietnamese media said yesterday, AP reports from Bangkok.

Moscow is reported to have told Hanoi of its unhappiness with wasted economic aid, which according to the Soviet Union, amounts to more than $2bn (£1.4bn) a year.

Vietnamese officials have admitted to waste, and at last December's party congress, promised "bold renovations" aimed at a more efficient use of economic resources.

Mr Shevardnadze arrived in Hanoi on Wednesday

Reuter adds: "The communist states of Indochina want to open talks with China and the Association of South-East Asian Nations (Asean) to settle the eight-year war in Kampuchea, Mr Thach said, according to the Voice of Vietnam radio.

He was quoted as saying that Vietnam, Laos and Kampuchea wanted to launch the dialogue on the basis of equality and respect for each side's sovereignty.

Mr Thach did not say whether China and Asean countries had agreed to his plan.

Manila resumes talks with Moslem rebels

BY RICHARD GOURLAY IN ZAMBOANGA, PHILIPPINES

PEACE NEGOTIATIONS between the Philippine Government and Moslem rebels, who have been fighting for self-determination in the southern islands on and off for 15 years, resumed this week with the two sides far apart but prepared to continue talking.

With a self-imposed deadline looming on May 11, the Government has to reach agreement with the Moslems, who have threatened to resume the war, while protecting the rights of the Christian majority in the island of Mindanao where most of the Moslems live.

The talks are crucial for President Corazon Aquino because the armed forces lack the ability to fight the Moslems and the communist-led New People's Army rebels at the same time, according to the Defence Secretary, retired Gen Rafael Ileto.

Mr Habib Hashim, the chief negotiator for Moro National Liberation Front (MNLF), yesterday threatened to resume the war if the autonomy issue is not resolved before Mrs Aquino's power to make law by decree disappears when a legislative assembly is elected on May 11.

The Moslem insurgency has also strained relations with neighbouring Malaysia. Kuala Lumpur wants to see a settlement to allow the return of more than 200,000 mainly Moslem Filipino refugees living in the Malaysian state of Sabah.

Most of these people fled Mindanao during the civil war between the Government and the Moslems from 1972 to 1976 when more than 50,000 people died.

Government negotiators insist that any agreement must be within the context of a new constitution approved by a referendum in February.

MNLF leaders, on the other hand, say this will not meet their demands for "full autonomy" for the islands of Mindanao, Tawi-Tawi, Basilan, Sulu and Palawan that they claim as their ancestrial lands.

The MNLF panel also renewed an old demand for a regional security force to be set up under joint MNLF and Philippine Government leadership which military observers say the Philippine Government could never agree.

Since Mrs Aquino agreed a temporary ceasefire last September with the MNLF's chairman, Mr Nur Misuari, her negotiators have made little progress towards a lasting peace.

However, the Government's hands have been tied by the new constitution. It calls for full autonomy for "Moslem Minadao" after a referendum, but will only cover the five provinces in Mindanao and the other smaller islands where there is a Moslem majority.

Hopes for a compromise still rest on Mr Misuari's belief in Mrs Aquino's sincerity. But there is growing impatience among some younger members of the MNLF at the lack of progress

GENCOR

1986 Results and Chairman's Review

- Annual earnings up 28% to 616 cents per capital unit.
- Dividends raised from 195 to 230 cents per ordinary share.
- Current value per capital unit up 41.9% to 8,618 cents.
- South African mining contributions increased.
- Sappi and other industrial contributions restored and improving.
- Malcor/Malbak becomes principal industrial associate.

Sectoral analysis of net income for year ended 31 December

	1986 R million	1985 R million
Mining		
Gold and Uranium	165.2	113.8
Platinum	33.0	36.3
Coal	45.8	45.2
Metals and Minerals	161.2	150.6
Mining Total	405.2	345.9
Overseas Ventures	(16.5)	11.9
Sappi	56.9	25.7
Other Industries	38.1	(48.8)
Finance	148.1	214.8
Services (net of corporate costs)	(4.7)	15.5
Total	627.1	565.0
Unapportioned financing costs	(35.4)	(107.0)
Attributable Income	591.7	458.0
Per capital unit – cents	616	481

Sectoral analysis of permanent capital holders' interest

	31/12/86 R million	31/12/85 R million
Mining		
Gold and Uranium	3,467.9	2,105.0
Platinum	1,410.3	801.9
Coal	290.8	494.0
Metals and Minerals	849.3	850.0
Mining Total	6,018.3	4,250.9
Overseas Ventures	83.5	349.6
Sappi	879.9	335.0
Other Industries	1,232.4	1,001.3
Finance	322.7	152.5
Services and corporate assets	155.4	88.6
Total	8,692.2	6,177.9
Unapportioned loans	(272.4)	(395.6)
Permanent capital holders' interest at valuation	8,419.8	5,782.3
Current value – cents	8,618	6,074

Abbreviated audited financial statements for year ended 31 December

INCOME STATEMENT	1986 R million	1985 R million
Source income after exploration costs and amortisation	937.2	967.3
Financing costs	231.8	482.1
Income before taxation	705.4	485.2
Taxation	79.2	82.2
Income after taxation	626.2	403.0
Attributable to outside shareholders	123.7	52.3
Consolidated income	502.5	350.7
Equity accounted income	87.6	102.9
Total income	590.1	453.6
Net transfer from deferred taxation benefits reserve	1.6	4.4
Attributable income before extraordinary items	591.7	458.0
Extraordinary items	(254.0)	(8.5)
Attributable income after extraordinary items	337.7	449.5
Distribution in respect of permanent capital	237.9	205.8
Retained income	99.8	243.7

BALANCE SHEET	31/12/86 R million	31/12/85 R million
Capital employed		
Permanent capital holders' interest	2,754.4	2,486.9
Outside shareholders' interest	986.1	964.9
Group equity	3,740.5	3,451.8
Long-term financing	1,698.6	2,011.5
Deferred taxation liabilities	84.7	85.6
	5,523.8	5,548.9
Employment of capital		
Investments at book value	1,671.9	1,368.4
Fixed assets	2,828.5	3,062.9
Other non-current assets	440.6	566.5
Current assets	2,379.1	2,390.0
Current liabilities	(1,796.3)	(1,838.9)
	5,523.8	5,548.9
Valuation surplus	5,665.4	3,295.4

Final dividend and interest payment

The following dividends and interest payment were declared on 12 March 1987:

Dividends	
Ordinary shares	150 cents per share
8.5% convertible preference shares:	115.25 cents per share
Interest	
12.5% convertible debentures:	168.75 cents per debenture
Last day for registration:	27 March 1987
Payable on:	16 April 1987
Registers of members will be closed:	28 March 1987 to 10 April 1987

Mr. Derek Keys, chairman.

Chairman's review

MARKET DEVELOPMENTS

Currencies

On average R2.28 was received during 1986 for each US dollar of income. This was fractionally more than the R2.23 received during 1985 and hardly contributed to an increase in earnings. Since the end of the year this negligible currency gain on our exports was actually reversed; at the time of writing each US dollar of income yields less than R2.10.

The Rand weakened materially against the DM, Yen and Sterling but no benefit accrued to us as our sales prices are mostly set in US dollars.

Prices of major export products

Against this currency background improved net export prices in Rand could only be realised by higher US dollar prices in world markets.

Gold did not disappoint, averaging $367 per ounce compared to $317 the previous year. The present price level of the order of $400 continues this favourable trend.

Platinum did even better with free market prices rising by 60%. This exceptional increase was driven by speculative fears of supply disruption from South Africa and anticipations of increased demand from the automotive industry. Perceptions as regards both factors have now been modified; consequently the prices are well off their 1986 peaks but still considerably up on the previous year.

Following the lower level of *crude steel* production the prices of *manganese* products came under pressure during the year. Market conditions are expected to remain unchanged in 1987. US dollar prices of *ferrochrome* stabilized during the year after falling early in 1986 and are expected to be maintained in 1987.

Paper and pulp markets gained strength in the course of the year with international prices in US dollars rising by 18%. Current price and demand firmness augurs well for the year ahead.

Coal's average f.o.b. export values in US dollars declined by 10% in 1986 and have subsequently declined still further. The influence of the oil price decline on coal prices was further aggravated by ill-considered action on the part of certain S.A. producers who would appear to have lowered prices somewhat injudiciously.

Domestically sold products of the group

The South African economy, in which we sell the bulk of the products of our industrial companies, grew only marginally in real terms. The condition of overcapacity in most manufacturing sectors consequently persisted and markets remained generally weak and highly competitive; to some extent, however, competition from imports lessened. Somewhat greater real growth is expected this year.

Financial markets

Short-term funds were freely available and rates of interest dropped accordingly. This trend is probably near its end and rates are expected to remain in their present range or to move up moderately during the year.

Long-term rates followed the short rates down but to a much lesser extent since lenders kept one eye fixed on the anticipated inflation rate which seemed to threaten an extended period of negative real returns.

Partly due to these reservations, local funds poured into the Johannesburg Stock Exchange, absorbing with ease fairly considerable foreign selling and driving the All Share Index up by 50% in the course of the year. Since prices of these shares on overseas stock exchanges did not behave similarly the financial rand discount widened to an extent previously not experienced. As financial rand is the group's only avenue for investments abroad, the viability and attractiveness of new overseas investments for us diminished accordingly.

COSTS

Costs continued to rise at a rapid rate in all divisions of the group. Physical productivity improvements of the order of a few percentage points were swallowed up by the price increases of major inputs of the order of 20% per annum or more. Whereas in local markets these increases can be passed on to an extent, in export markets this was of course out of the question.

RESULTS

Shareholders will be pleased with the increased dividend of 230 cents (195 cents) paid out of earnings of 616 cents (481 cents) per capital unit.

Major contributors to this net improvement were:

Eliminating the 1985 losses of certain industrial companies	72 cents
Lower net financing costs	61 cents
Beatrix's growing contribution to gold earnings	37 cents
No need for further amortisation of foreign exchange losses on loans	36 cents
Sappi's better result	32 cents
Genbel's improved performance	19 cents
Improved industrial profits,	17 cents
and Samancor's higher earnings	13 cents

On the debit side, Gencor Treasury this year did not repeat, to the extent of 46 cents, the exceptional profits earned last year in foreign exchange markets. We have also had to meet increased costs of operation and absorb a higher level of exploration spending. The increased exploration spending is in line with our strategic decision to put more weight behind our mine-finding efforts.

The figure of R254 million deducted as an extraordinary item from the year's earnings is high by historical standards but has little relevance to the overall true value of the group. Apart from net losses on closure or disposal of undertakings, amounting to R29 million, it is occasioned by the group's adherence to the conservative practice of writing down the book value of individual investments to valuation, wherever this is lower, coupled with a particularly severe valuation approach to any investment in an economically or politically unstable country. In general the adjustments were required in connection with greenfield ventures outside the borders of South Africa.

The overall increase in the current value per capital unit is substantial this year, the value rising to 8,618 cents from the 6,074 cents level of a year before. Previous practice was to include investments in operating subsidiaries in the valuation at consolidated net book value; we now value all investments at market, regardless of family relationship, since we think this is the figure of interest to shareholders. The 1985 figure has been adjusted to be comparable.

Viewing the sectoral analysis of the current value per capital unit, one finds that, on a fully broken-down basis, mining activities in South Africa continue to constitute roughly two-thirds of the total. Within this dominant category, however, the precious metals have strongly increased their values while base metals and minerals have hardly changed and coal has declined sharply. The latter represents some 3% of the total. In the non-mining third of the activities, Sappi has gained value sharply, other industries to a lesser extent and overseas ventures have been reduced to negligible proportions largely as a result of the cautious view referred to above.

Comparing sectoral income yields with the value placed on the underlying interests, highlights Impala Platinum as producing markedly less than might have been expected. This is due to a nexus of marketing and production constraints, which is receiving our full attention, and to considerable capital expenditure. The formerly deficient yield on other industries has been partly corrected and we can expect to make further progress in this area.

MAJOR TRANSACTIONS

As Sappi moved firmly into a position of increasing cash flow its board concluded in August 1986 that the time was ripe to consolidate its capital structure, return to the payment of dividends on ordinary shares, and free the company from the restrictive covenants connected with its project loan finance. We were happy to underwrite the issue of R201.5 million preferred ordinary shares decided upon. The issue was well supported by shareholders and the market value of the shares concerned is now substantially above the issue price.

During September 1986 negotiations were concluded with Sankorp in terms of which *48.1% of the then issued ordinary share* capital of Malcor Holdings was transferred to Gencor in exchange for the issue of 1,979,206 new Gencor ordinary shares. Malcor Holdings controls Malbak, a diversified industrial conglomerate with an established managerial infrastructure and a good record in providing the sort of environment in which industrial enterprises can live and develop healthily.

As such it represented a made-to-measure instrument for the management of our industrial portfolio, other than Sappi, and it has absorbed and taken the place of all the in-house arrangements and personnel which previously performed this function.

As and when appropriate we intend to sell our industrial companies into either Malcor, in the case of companies for which the group does not have management responsibility, or into Malbak where it does. In terms of this policy, the sale of Haddons and Kohlers into Malbak and Carlton Paper into Malcor have already been announced.

THE KINROSS FIRE

On 16 September a serious fire occurred 1,622 metres below surface in the Kinross gold mine. As a result smoke and fumes entered the workings of No. 2 shaft. We grieve at the tragic loss of 177 lives, and are thankful for the more than 2,400 of our people who were successfully evacuated.

In the light of this tragedy we are extensively re-examining our approach to the management of safety and shareholders are referred to the contributed section to the annual report dealing with this topic. We have also committed ourselves to the organisation of an ongoing programme – the Kinross Initiative – aimed at assisting the victims of gold mine accidents and their dependants, where necessary.

THE SOUTH AFRICAN SOCIAL AND POLITICAL ENVIRONMENT

It is common cause that South Africa is in a state of change. Most observer comment focuses on changes and projected changes in legislation but these are only a part of a much bigger phenomenon of change which embraces every person of every colour living in this country. The way we think, the way we feel, our interpretation of the past, our perception of the future – all are changing. Most of us are content that it should be so and glad to have *opportunities for fresh thinking in areas* where the status quo is unacceptable.

In the context of our businesses these opportunities are most challenging in the areas of:

- effective worker participation in decision-making and constructive relationships with trade unions.
- worker family housing, particularly in the mining industry.
- equal opportunity and training leading to a supervisory and management structure in line with demographic realities.

It is a prime responsibility of our management to chart an optimum course for each of these areas and then skilfully to steer a passage past the many obstacles. We have already made considerable progress in certain of these areas.

Gencor's stance is to work, plan and invest on the assumption that a political way will be found to a society which commands the allegiance of a large majority of its members. Gencor's aim is to play its part as a good corporate citizen, presently, during the further changes and thereafter.

HUMAN RESOURCES

The mining industry in 1986 experienced more than twice as many strikes as in the previous year. Measured against industry figures, Gencor lost fewer man-days: 595 per 1,000 workers as against 884 for all Chamber mines.

Our management efforts are aimed at all levels in this sphere to find a successful way of handling the tensions inherent in the manager/worker relationship. The style we are using implies wider worker participation in decisionmaking to replace the paternalistic style of the past, but this in turn requires the ability to transact enforceable bargains. On this basis we were able to resolve the majority of the labour disputes of the immediate past by negotiation and compromise. Out of the eighteen collective disputes which occurred on Gencor mines, thirteen were settled and two statutory disputes are still taking their course. None of the remaining three disputes endured beyond three days.

ORGANISATION

My appointment as group chief executive signalled the end of the structure of five executive directors operating under a non-executive chairman. Thanks to an extraordinary degree of participation and co-operation on the part of these six directors, the seventy-five senior managers of the group, and their colleagues, the consequent restructuring was achieved with comparative ease.

A diagram which gives the main outline of the present structure appears in the annual report.

THE BOARD

Ted Pavitt retired as the group's chairman at the end of August. Throughout the more than forty years that he devoted to the group, twelve of them as chairman either of Union Corporation Limited before the merger or of Gencor thereafter, the degree of his commitment and the quality of his contribution were unequalled. I am happy to have this opportunity to place on record my own great indebtedness to him for his guidance during his final months as chairman.

Johan Fritz and Basil Landau both decided for personal reasons to start their retirements from the group during 1986. Each of them had done much to build up their respective divisions over the years.

George Clark reached retirement age at the end of 1986. His considerable contributions to the group over many years were spread over the entire spectrum of its activities.

To each of the above we wish many years of well-earned retirement, and success in the new directions on which they may embark.

The fact of these departures, together with the requirements of the new organisation, made it appropriate to carry through a thoroughgoing reorganisation of board membership and function. The existence of the pyramid company, Federale Mynbou Beperk, facilitated the transformation of the board of Gencor into a management-dominated board with matters requiring the controlling shareholders' participation reserved for the Fedmyn board. In terms of this change we welcomed group executives Steve Ellis and Carl Netscher (Mining), Bernard Smith (Operational Services), Naas Steenkamp (Human Resources) and – after the Malcor transaction – Grant Thomas (Industries). Non-executive directors who left the Board were Drs. J.G.H. Loubser, P.E. Rousseau, C.H.J. van Aswegen, A.D. Wassenaar and F.W. van Zyl (alt.) and Messrs. P.L. la Grange, D.W.R. Hertzog, W.S. Pretorius, G. Steinmetz and A.J. van Wyk. On behalf of shareholders I express to them all the sincere appreciation of the company for their contributions to the origin and development of the Gencor group of today.

FUTURE OUTLOOK

With the rand at its present level we will do well to repeat this year's result. The level of dividend, however, ought not to be affected.

In the longer term I feel confident that we have the resources of all kinds in order to grow in real terms. My sincere thanks are due to all those whose efforts allow me to make this statement.

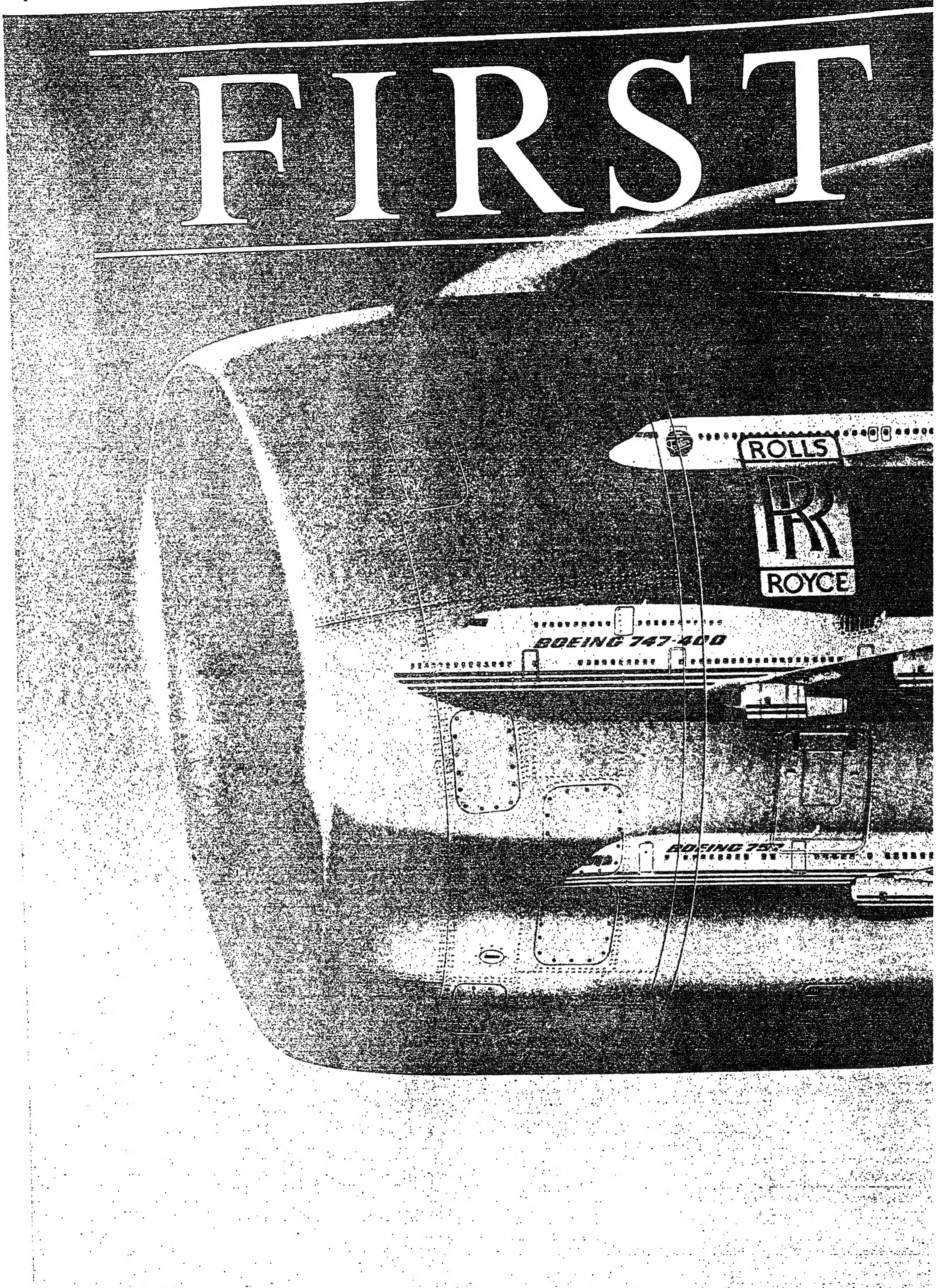
D.L. Keys
12 March 1987

Gencor

General Mining Union Corporation Limited

(Incorporated in the Republic of South Africa)

Registration number 01/01232/06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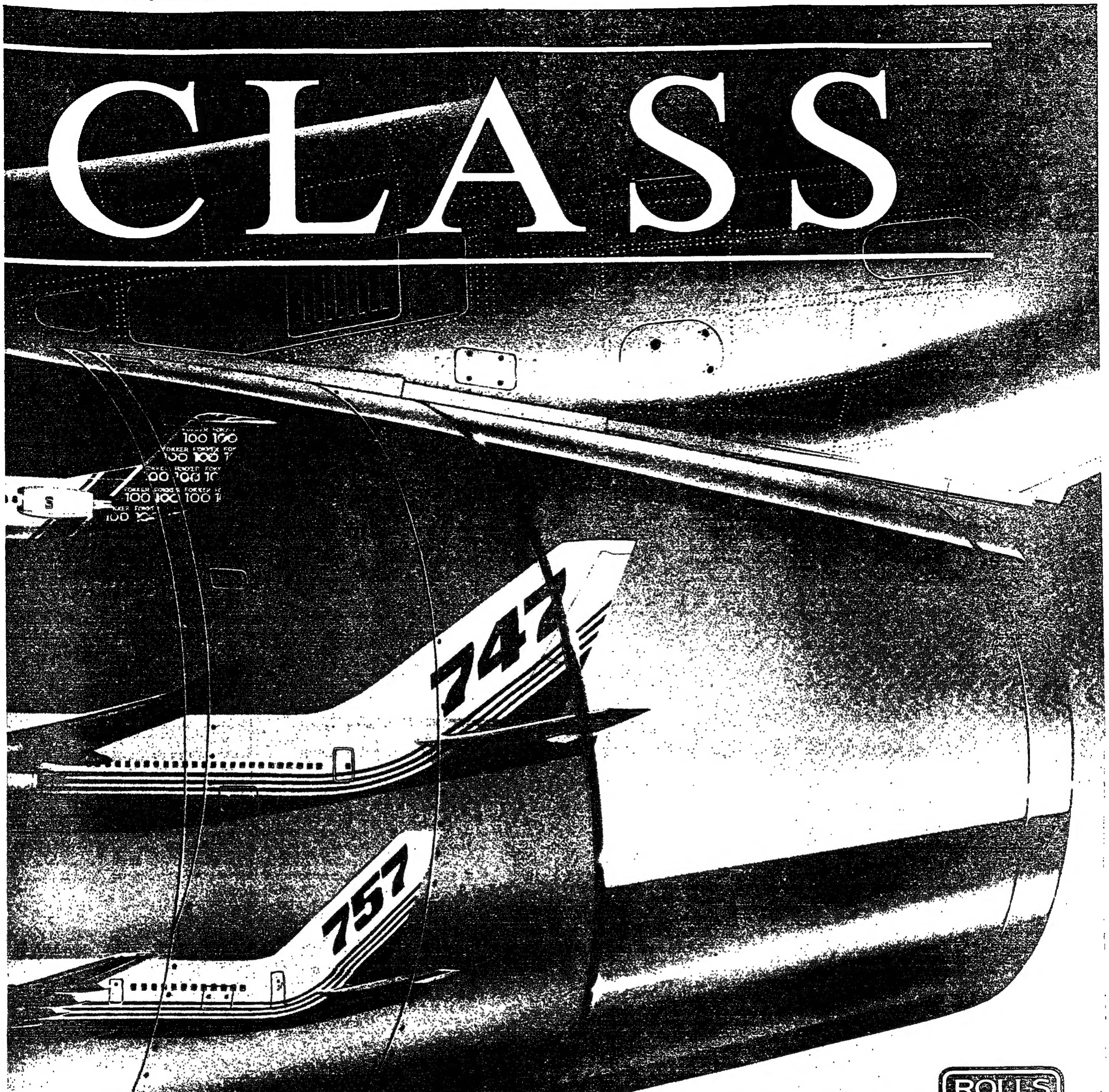
BOEING 747-400
BOEING 757



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The RB211-524D4D: giving at least 10% better fuel burn than the earlier economical -524D4.

An improvement which will currently give airlines a jumbo-sized saving in fuel costs in excess of U.S. $1 million on each Boeing every year.

The clean, quiet Tay: clearly showing all the benefits of cost-effective technology and offering about 15% improvement in fuel consumption over its predecessor.

The Tay-powered Fokker 100 gives the best ownership cost of any competing new technology jet airliner.

The RB211-535E4: it has proved during its two years of airline service to be the world's most reliable large turbofan. It saves up to 10% more fuel than its predecessor.

No wonder, throughout the world, Rolls-Royce engines power the aircraft of over 270 airlines, almost 700 corporate operators and over 110 armed forces.

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WORLD TRADE NEWS

MOOD OF OPTIMISM IN OTTAWA

US-Canada free trade agreement 'within reach'

BY BERNARD SIMON IN TORONTO

A SWEEPING free trade agreement between the US and Canada appears to be within reach as a new mood of optimism moves over the ten-month negotiations between the world's two biggest trading partners.

Miss Pat Carney, Canada's International Trade Minister, said earlier this week that she expected the "framework" of an agreement to be in place by June, with a final document ready by autumn. Prime Minister Brian Mulroney confirmed that "it appears that reasonable progress is being made."

The Canadians are confident that the Reagan Administration is giving higher priority to the free trade talks in the hope of achieving a noteworthy foreign policy success. In addition, domestic opposition to the concept of free trade with the US has become more muted in the wake of numerous studies which have concluded that Canada will derive substantial net benefits from broader and more secure access to the US market.

According to leaks in Ottawa, the accord being drawn up includes a complete phasing out of tariffs on US-Canada trade by the end of the century and concessions by each side on such non-tariff barriers as Canada's indsutrial subsidies and US anti-dumping rules. A joint tribunal would be set up to resolve disputes.

Washington is said to be especially interested in the removal of barriers to US investment in Canada, greater opportunities for American financial institutions and freer trade in services.

According to preliminary figures, US-Canada trade totalled C$172bn ($130bn) last year, with a C$16.2bn balance in favour of Canada.

Miss Carney: "framework" in place by June

Further details of the talks will be made public when the Ottawa Government launches a debate on free trade in the House of Commons next Monday.

An agreement must be presented to the US Congress by early October to comply with the "fast-track" negotiating authority given by US legislators to the Reagan Administration. The mandate, which would prevent Congress amending the detailed provisions of a pact, expires next January.

Meanwhile, Mr Mulroney has brushed off demands by Canada's 10 provinces to exercise a formal veto over the negotiations. The Prime Minister told a closed briefing of provincial premiers on Wednesday evening that the Federal Government will try to achieve an informal consensus with the provinces. The precise method has yet to be determined.

US to decide on Japanese chip sanctions next week

BY LOUISE KEHOE IN SAN FRANCISCO

THE US is expected to decide next week whether to impose trade sanctions against Japanese semiconductor producers who are alleged to be continuing to violate the US-Japanese chip pact by "dumping" in Asian markets.

The White House Cabinet Economic Policy Council is scheduled to vote on sanctions next week, following a recommendation from a sub-cabinet trade policy review group which called for unspecified sanctions in retaliation for Japanese dumping. The US-Japanese chip pact, signed six months ago, regulates Japanese memory chip prices in the US and third country markets, and aims at giving foreign chip makers increased access to the Japanese market.

US officials have not specified what form any trade sanctions might take. It is unlikely, however, that the US will place import restrictions or tariffs on Japanese chips sold in the US because *this could cause a further rise in US chip prices*, which would hit US electronics and consumer manufacturers.

Industry executives have proposed either an import ban or import tariffs on electronic products such as computers or consumer electronics goods made by the companies found to be dumping chips. This proposal has the advantage of punishing specific Japanese companies *while indirectly benefiting their US competitors in the computer and electronics industries.*

US electronics equipment manufacturers, who have complained that the trade pact has raised their costs by increasing the US prices of Japanese memory chips to the "fair market values" imposed by the US Commerce Department, are not expected to raise any objections to tariffs on Japanese equipment.

Japanese companies that could be affected by sanctions include NEC, Fujitsu, Hitachi, Mitsubishi, Matsushita, Oki and Toshiba, Japan's largest semiconductor producers.

Mr Malcolm Baldridge, US Commerce Secretary, and Mr Clayton Yeutter, US Trade Representative, have both warned the Japanese that "draconian measures" would be imposed if the alleged dumping does not stop. They set deadlines of mid-March for a decision and April 1 for the imposition of sanctions.

US semiconductor industry executives claim that Japanese third country dumping continues unabated, despite Tokyo's efforts to monitor and control chip export prices and to reduce memory chip production.

Tokyo's chief negotiator still hopeful trade barriers can be avoided

WHILE Mr George Shultz, US Secretary of State, was in town pressing Prime Minister Nakasone to step up US imports a few days ago, Mr Makoto Kuroda, vice minister of the Ministry for International Trade and Industry (Miti) was drinking French wine and eating runny cheese.

Miti's chief trade negotiator, Mr Kuroda was marking the end of a gruelling round of trade talks in the US and Tokyo. The Americans once again had created headlines, saying that some progress had been made, but not enough. US industries, such as semiconductor makers, and many US congressmen had dismissed the talks outright, calling for strong retaliatory action against the Japanese.

Mr Kuroda's view of the threats was: "It is not the Japanese way to reciprocate by using the same level of nonsense to describe the (trade) situation," he said.

Mr Kuroda, a career Miti man, is a rather unconventional Japanese bureaucrat. He is shamelessly blunt. Unlike most Japanese, he almost swaggers with confidence. But in keeping within the Japanese tradition, he never makes headlines. This is one tradition he would obviously like to change.

NEC Corporation will introduce a new production sharing system involving plants in Japan, Taiwan and the US in July to manufacture facsimile machines for sale in the North American market, a company spokesman said on Wednesday, AP-DJ reports from Tokyo.

The company is taking the step to counter the impact of the yen's continued strength, which has made Japanese-made products more expensive overseas. The spokesman said the company could achieve substantial savings by shifting part of the production process to Taiwan where labour costs are about one-fifth those in Japan.

He said NEC has concluded an agreement to entrust production of facsimile frames and other basic processing with Teco Electric Machinery in Taipei.

"I'm always asking them (the US) not to criticise us publicly. They keep talking from initial premise, repeating the same thing again and again. They are creating some of the perceptions which are becoming reality, he says, referring to the Americans' penchant for discussing trade disputes through press conferences and the newspapers.

"We are modest and reserved people, we never speak up," says Mr Kuroda with a smile. But anyone who has the time to meet Makoto Kuroda will find a good guide to Japan's way of thinking on leading trade issues.

On the more controversial subject of semiconductors, Mr Kuroda is strongly defensive of Japan's efforts to heed last year's US-Japan trade pact on chip trade. But even though Miti has recently ordered cutbacks in chip production, he still defends the country's right to build new chip facilities.

"We're always talking about the microchip revolution. It may be in one year, five years, or 10 years. As a result there is a tendency to have excess capacity. This is called anticipatory investment, which maybe is not a bad thing," he says.

Despite the US threats to impose sanctions against Japanese companies allegedly violating the chip pact, Mr Kuroda says "I am not very pessimistic" about the course of US-Japan trade. He remains hopeful that the US will not put artificial barriers on trade with Japan.

Athens aims to boost exports

GREECE yesterday unveiled proposals to boost exports, Andriana Ierodiaconou reports from Athens. The move is intended to compensate for the dismantling of Greece's traditional system of direct export subsidies as the country comes into line with European Community regulations.

The proposals include the introduction of export financing services, such as factoring and upgrading of export credit insurance services.

In a separate move the Finance Ministry said that exports and export-related services, such as transport, were to be exempt from value-added tax (VAT).

Nancy Dunne reports on efforts to curb pre-shipment checks

Inspections rouse US exporters

US EXPORTERS have mounted a campaign on several fronts to curb the activities of foreign pre-shipment inspection companies like the Swiss-based Société Generale de Surveillance (SGS).

An unfair trade complaint filed by four Florida trade associations with the US trade representative was referred to the US International Trade Commission (ITC) for investigation. The ITC last week convened a hearing in Miami where exporters complained that the foreign inspection companies, of which SGS is the largest, have been unnecessarily delaying their shipments and practising "price fixing."

SGS has contacts for its services with an estimated 25 developing countries and, unlike American inspection companies, it monitors not only the quality and quantity of shipments but prices as well. To ensure against fraud and over and under invoicing, it asks for various background price-related documents.

A negative ruling by the inspection companies kills the transaction unless exporters drop their prices or make other changes in their shipments.

The unfair trade complaint is filed against Venezuela, Jamaica, Ecuador, Paraguay and Guatemala for violations of various codes under the General Agreement on Tariffs and Trade and other treaty obligations by instituting practices that are "unreasonable or discriminatory or restrict US commerce in trade and services."

Members of the Florida association do business in the five named countries, all of which have contracts with SGS. If action is not taken by the five governments, the association asks that the President suspend their duty-free trade privileges, granted under the Generalised System of Preferences or the Caribbean Basin Initiative, and impose retaliatory import restrictions.

The ITC has to decide whether there has been injury through unfair trade practices. If it does find such injury, then the US Trade Representative can recommend a wide variety of retaliatory action to the President.

In its complaint the Florida association says that SGS "through its ability to block the shipment of merchandise where the company finds the price unacceptable will have the capacity to fix the worldwide prices of commodities.

"These companies will also have unprecedented access to confidential business information worldwide without effective control over how such information is used, or to whom it is disclosed."

One exporter, Stauffer Chemical company of Connecticutt, wrote to the trade representative: "We have been contacted by the inspection companies divulging our competitors' prices and asking us to advise if we are setting the same price."

SGS, in its response to the complaint, cited Mr James Baker, the US Treasury Secretary, and his plan for growth in the indebted countries which included a call to reverse capital flight.

"The pre-shipment inspection programme challenged by the Florida exporters are critical in minimising the use of over invoicing and thereby reducing capital flight," SGS said.

It also said that SGS's services help make foreign exchange available in the developing countries "by ensuring that importers . . . will not pay more than the efficient free world price because they lack sufficient information regarding technical aspects of a specific transaction or international market conditions generally, or are involved in receiving illegal payment made by the seller."

To complaints that inspectors had delayed shipments, SGS acknowledged that at the inception of the programme there were "some transitory implementation problems" but said its staff and computer systems have been expanded."

The ITC, which has until early summer to report back to the trade representative, has demanded copies of SGS's contracts with the developing countries and has threatened to subpoena them. It is considering holding further hearings in New York and in Houston.

Probe urged into Korean N-plant deal

By Maggie Ford in Seoul

A US copany which failed to win the contract to install South Korea's latest two nuclear power stations last year is understood to have appealed to the country's president to intervene before the deal is signed.

Analysts believe that Westinghouse, which lost the contract worth $2bn-$3bn to its American rival Combustion Engineering, has written to President Chun Doo Hwan asking hi nto review the procedures followed.

The contract with Combustion Engineering was due to be signed by the Korean Electric Power Company (Kepco) last month. Kepco officials say it had been delayed because of arguments over technology transfer.

It is believed the Westinghouse letter claims that normal procedures were violated in awarding the contract. Observers say that the company claims the government's credibility could be at stake if unfair businesses practices were seen to be condoned.

The company is thought to be particularly concerned about a clause which states that the winning proposal should be based on a proven design concept.

Combustion Engineering's bid to build two 900MW plants is understood to have been based on a "System 80" design plant in the US.

Rebel Liverpool councillors lose final legal fight

BY MICHAEL CASSELL AND IAN HAMILTON FAZEY

MRS MARGARET THATCHER, Prime Minister, yesterday refused to intervene to help solve Liverpool's financial crisis, after a Law Lords ruling upholding the disqualification from office and surcharging of 47 Labour councillors.

After an appeal procedure which first went through the High Court and Appeal Court, the decision means the councillors must pay a £106,103 surcharge, together with an estimated £400,000 costs, for failing to set a rate (property tax) for the city in 1985-86 in protest at Government cuts.

The removal of the councillors, who could now face personal bankruptcy, poses fresh political problems for Liverpool. With only 12 Labour councillors remaining in office, control is now likely to pass to the 37-strong Liberal-SDP Alliance group, which is expected to try to form an all-party crisis committee to run the council until elections in May.

The next council meeting is on Tuesday, when the Alliance is expected reluctantly to assume control of a potentially chaotic situation. For the next few days at least, there will be a power vacuum, with no party officially running Britain's fifth largest city.

Liverpool's corporate debt stands at an estimated £800m and Mr David Alton, the Liberal chief whip (party steward), said Labour had in the last four weeks, deliberately "fouled its own nest" by committing itself to new contracts worth up to £50m.

He claimed that the newly-agreed 5 per cent rate could not be changed and that the City confronted a grave crisis which could not be overcome by an Alliance administration working on its own.

Mr David Steel, the Liberal leader, yesterday asked Mrs Thatcher in the House of Commons if she would meet a broadly-based deputation from Liverpool to consider rescheduling the city's debts and the provision of a one-off grant to help overcome the immediate financial problems.

Mrs Thatcher immediately rejected the suggestion, saying that those who were democratically elected "had to learn to take responsibility for their actions." Later in the Commons, Mr Alton said there would be widespread consternation at the Prime Minister's readiness to "leave the citizens of Liverpool to stew in their own juice."

BT 'may have made profit out of strike'

BY DAVID THOMAS AND PHILIP BASSETT

BRITISH TELECOM may have made a profit out of the bitter two-week strike with its 110,000 engineers which ended last month.

This emerged yesterday as BT warned of further job cuts and said it would become increasingly difficult to avoid compulsory redundancies.

Mr Graeme Odgers, BT deputy chairman, disclosed yesterday that the company had saved more than £50m in staff costs during the dispute, which may help to explain the management's confidence at the time.

Some of the savings had been offset by extra overtime since the end of the dispute and business lost during the strike, although this had been relatively small because the network had held up well.

Mr Odgers, who was speaking as BT disclosed pre-tax profits up 11.7 per cent at £1.51bn for the nine months to December, refused to confirm that BT had made a profit from the strike.

However, overall there had been no adverse financial impact on the company's results for the fourth quarter to the end of this month because of the dispute, which was over new working practices and pay.

Mr Mike Bett, BT managing director for inland communications, told a seminar on the City of London organised by Acas, the conciliation service: "It will get harder to avoid compulsory redundancies as we go along."

BT has been shedding jobs at the rate of about 5,000 a year in its core operations, so far by using natural wastage to avoid compulsory redundancies. The company has refused to say whether it plans to speed up this rate of job loss.

Mr Bett said staff were aware that the combined effects of technological change and the customer-driven direction of the privatised business would mean fewer jobs, although he said the company would handle job reductions responsibly.

Mr Bett forecast greater decentralisation of pay bargaining in BT: "I can see the time coming when it will be appropriate for our districts to contemplate a sort of topping-up type scheme on top of a nationally-negotiated basic rate."

He declined to put a timescale on the change, and forecast strong union opposition.

W. German ship 'hired partly-trained crew'

BY JIMMY BURNS, LABOUR STAFF

BRITAIN'S National Union of Seamen (NUS) yesterday urged the Government to investigate immediately allegations that a cargo boat owned by a West German company and chartered by a British shipping line was being crewed by participants in the UK's Youth Training Scheme (YTS) for school-leavers who are not fully trained as seamen.

According to an investigation conducted by the NUS in co-operation with the West German Seamen's union, four YTS trainees were crewing for the City of Salerno, a cargo coaster owned by Knuppel Hans Herman of Hamburg when it docked at Liverpool on Tuesday.

Ellerman Lines of the UK yesterday confirmed that it had chartered the ship but said: „The vessel is West Geman-owned and the owners assure us that the ship is manned in accordance with the regulations of the flag nation."

The NUS, however, claims that the ship's crew, some of whom may have been years old, had been recruited from a " sea school" that the union had never heard of and that their training in deck, catering, and engine room skills had been only four weeks long.

Under international maritime regulations, crews on sea-going ships should have a minimum age of 17 and have spent a minimum of six months in "approved training".

In a letter to Mr John Moore, the Transport Secretary, Mr Sam McCluskey, the general secretary of the NUS, says that last week's ferry disaster at Zeebrugge "should alert everyone for the need fir the strictest maritime safety standards on all ships."

The NUS said yesterday that the City of Salerno was provided the first concrete evidence that a growing number of employers may be cutting corners on safety in the face of increased competition.

David Fishlock sketches the building programme for Britain's £1.5bn nuclear power project

First Sizewell contracts to be signed within weeks

THE CONSTRUCTION of the Sizewell B nuclear power station will take 5½ years from next summer if the Central Electricity Generating Board (CEGB) has calculated correctly. It says that contracts worth about £500m will be signed within weeks.

If, however, the CEGB has got it wrong, the fact may not be known for several years. The early years of nuclear reactor construction are mainly concerned with large-scale civil engineering and it is only late in the project that the troublesome high technology come together.

The CEGB is managing the project through a subsidiary called the Project Management Board. Its chairman is Mr John Baker, board member responsible for design and construction of new plant. The company has a team of about 400 run by Mr Brian George, the project director. It has been spending about £4m a month but this will rise to about £15m a month by mid-summer.

Project management is based at Knutsford, in north west England. A number of satellite teams are responsible for specific portions of the project.

The satellites include PWR Power Projects (PPP), a joint venture between Westinghouse Electric, the US licensee of the pressurised water reactor, and the National Nuclear Corporation, Britain's civil reactor design and construction company. PPP is concerned with the high-technology core of the project.

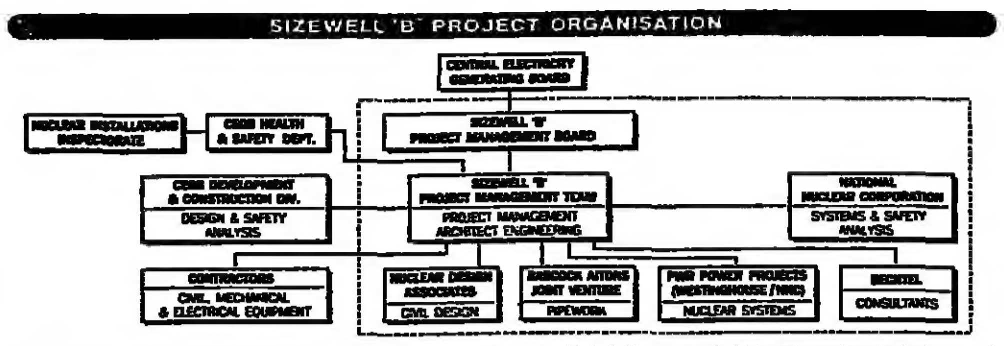
For Sizewell B it can export a contract worth only about £30m for the design and assembly of nuclear auxiliary systems such as emergency core cooling. But for subsequent PWR stations it is seeking bigger contracts, worth perhaps £150m, for the entire nuclear steam supply system.

Another joint venture is BPA, between Babcock and Aiton, specialising in the high-integrity pipework. This contract will be worth about £100m. Other satellites act as consultants to the project: NDA, combining Taylor Woodrow and McAlpine, on civil engineering design; Bechtel, the US consultants, on power station design and project management; and the National Nuclear Corporation on system and safety analysis.

The CEGB's own specialists in system and safety analysis, are located away from Knutsford, as are its generation design and construction division and the Government's Nuclear Installations Inspectorate (NII). The NII has an important role monitoring Sizewell/B's quality assurance programme.

Mr Peter Walker, Energy Secretary, has approved the £1.5bn investment in Sizewell B. Early next month the CEGB board is expected to sanction this money and authories its Project Management Board to release the hardware phase of those contracts for which a design phase has already been satisfactorily finished.

SIZEWELL 'B' PROJECT ORGANISATION



Mr George will also start preparing the Sizewell site for the arrival of contractors. It means fencing the site to restrict access, laying services and – above all – negotiating access and public rights with the local authority.

Before construction begins, however, preliminary site works are needed – an estimated 14 months' work. The big project is the diaphragm wall, a £10m belt of concrete more than 1 km long, encircling the station and penetrating to a depth of 50m into the clay. The wall is designed to keep seawater from flooding the site and minimise need for continuous pumping.

The CEGB still does not have a site licence from the nuclear inspectors to start building. The inspectors raised 79 questions arising from the CEGB's safety case, of which all but three have been answered to their satisfaction.

The remaining three issues, on which the project team has made submissions, are:

- A pressure vessel owner's certificate, under which the CEGB – for the first time – undertakes to audit its own competence to own a PWR pressure vessel. Because of an internal reorganisation, the CEGB has not yet been able to provide details of its health and safety division, which certification demands.
- Quality assurance procedures for the pressure vessel and other highly stressed parts of the reactor, on which it must still satisfy the inspectors that its inspection validation centre at Risley conforms with their demands.
- Integrated protection, on which it has still to win formal acceptance of a new computer-based surveillance system for plant safety, proposed in addition to traditional surveillance of the kind used on gas-cooled reactors.

All three are examples of the extra precautions devised to enhance the safety of the "British PWR" and to convince the inquiry that it matches the safety of present British reactors.

Assuming that it receives a site licence, the project team believes it will be ready to start pouring the reinforced concrete foundations in another 14 months. The main civil engineering contract, worth about £100m, has yet to be awarded.

Forgings for the pressure vessels have already been made and inspected by Framatome in France. The company is awaiting instructions to proceed with fabrication. This also applies to parts for the four steam generators, which Babcock has designed.

The reactor liner, an £8m steel tube 50 metres in diameter, which is needed as soon as the foundations are finished, has been designed by Cleveland Bridge and Ironworks. General Electric Company has completed designs for the twin 660 MW turbine-generators.

The CEGB will also be awarding an early contract for the radioactive waste treatment plant, worth about £30m.

Contracts worth about £10m are being placed for test rigs specific to PWR requirements. The most expensive will be built by Weir to test the four main coolant pumps. Others are environmental test rigs for accelerated testing of PWR components in the harsh kinds of environment they can expect in service. Such rigs are being built by Rolls-Royce and Associates, the National Nuclear Corporation, and SIRA in Kent.

In addition, the UK Atomic Energy Authority's new "cannon" at Winfrith, Dorset, is being used to demonstrate that the design can withstand blows from such missiles as a light aircraft engine falling out of the sky.

FT LAW REPORT

Wages in lieu of notice cannot be paid twice

BABCOCK FATA LTD v ADDISON

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice Ralph Gibson and Lord Justice Bingham): March 5 1987.

IN ASSESSING compensation *for unfair dismissal an industrial tribunal should deduct any payment made in lieu of notice from the employee's total loss of earnings as calculated from the date of termination of employment.*

The Court of Appeal so held when allowing an appeal by the *employer company,* Babcock Fata Ltd, from a decision of the Employment Appeal Tribunal (EAT) that a compensatory award in favour of dismissed employee, Mr Malcolm Richard Addison, was not subject to deduction of money paid in lieu of notice.

Section 74 of the Employment Protection (Consolidation) Act 1978 provides: ". . . the amount of the compensatory award shall be *such amount* as the *tribunal* considers just and equitable in all the circumstances having regard to the loss sustained by the complainant in consequence of the dismissal. . . ."

LORD JUSTICE RALPH GIBSON *said that* Mr Addison was dismissed in July 1984 on grounds of redundancy. *His* dismissal was unfair. The industrial tribunal had to assess the proper compensatory award.

The sum paid by the employer included £704 payment in lieu of notice and £845 ex gratia payment.

If he had not been dismissed on July 20 1984, Mr Addison would have been dismissed on September 30 1985 when the entire workforce was made redundant. The tribunal's task was therefore to calculate the loss, pursuant to section 74 of the Employment Protection (Consolidation) Act 1978. That loss included *the earnings and benefits* which he would have been paid and might reasonably have expected to receive but for the dismissal in 1984.

In calculating the total loss of earnings from July 20 1984 *to* August 19 1985, the date of the hearing, the tribunal reached a gross *loss of £7,252* from which it deducted earnings from new employment, leaving a ne* loss of £4,283.

From that sum the tribunal deducted the £704 paid in lieu of notice leaving an award for loss of earnings of £3,579.

For the six weeks from August 19 1985 to September 30, 1985 when Mr Addison would in any event have been made redundant, the tribunal awarded the difference between the earnings he would have received at Babcock's and his actual earnings in his new job.

From its total award the *tribunal* deducted the £845 ex gratia payment on the ground that there could be no claim to an ex gratia payment and receipt of it on September 30, 1985 was *speculative.*

Mr Addison appealed to the EAT.

Mr Pannick for Babcock submitted that the £845 deduction could be justified, but the EAT rejected that submission.

Babcock rightly did not *appeal against that part of the* EAT order. It acknowledged that if Mr Addison had remained in its employment he would have been paid the ex gratia payment *under* the scheme on September 30. It was therefore a benefit which he might reasonably have expected to have had but for the unfair *dismissal in July 1984.* There was no reason to deduct it from this net loss of earnings.

With regard to the £704 in lieu of notice it was contended for Babcock that the deduction *was correct* because the tribunal had calculated the loss of wages from July 20 and not *from* August 24 when the five weeks' notice expired.

The EAT rejected that argument and ruled that £844 should *be added to the* award, representing the £704 which had been deducted and an additional £140 for the extra week to which Mr Addison would have been entitled if dismissed on September 30, 1985.

It referred to *TBA Industrial Products [1984] ICR 228* where Mr Justice Browne-Wilkinson said "there cannot be any circumstances in which the . . . employer is not to be given credit for the payments he has made . . ." Next it referred to *Finnie [1985] ICR 435* a decision of the EAT in Scotland that *payment* in lieu of notice need not be deducted from the compensatory award.

Faced with two apparently conflicting decisions it decided to follow *Finnie* because, it believed, it accorded with good industrial practice.

That conclusion was wrong in law.

In the absence of express or implied agreement to the contrary effect an employer was to be given credit for all payments he had made to the employee on account of claims for wages and other benefits.

By section 74(1) of the act the tribunal was directed to *assess the amount of* the compensatory award "having regard to the loss *sustained." It* was not open to the tribunal or the EAT to devise a rule which conflicted with the statutory provisions.

The origin of the principle dealing with payment of wages *in lieu of notice* was the decision of the Industrial Relations Court in *Norton Tool [1973] 1 WLR 45.* Sir John Donaldson said that *good industrial practice* required an employer either to give notice or to pay wages in lieu; and if the employee were paid in lieu *he should not have to make any* repayment on obtaining further employment during the notice period.

The principle had been applied in many cases and was upheld in the present case.

Circumstances might arise in which, having regard to the length of notice required or the *known likelihood of new employ*ment or other sufficient reason, an employer might show that payment less than wages due over the notice period did not *offend good industrial* practice. No rule existed to prevent the industrial tribunal from considering such a case.

If the employer paid wages in lieu of notice at time of dismissal he complied with good industrial practice. If the employee did not get employment during the notice period no principle of good industrial *practice could* secure to him any further payment by way of lost wages in respect of the notice period.

The EAT reasoned that if an employee did not get new *employment during his notice* period he should be entitled to have his statutory or contractual entitlement to wages in lieu regarded as a matter apart *and* that *compensation* for unfair dismissal should be calculated irrespective of that entitlement.

In *Finnie* it was held that wages in lieu "is an independent payment to which an employee has a separate right. . ."

That *ruling* was not correct. By making the payment in lieu the employer had complied with good industrial practice. The employee was under the duty to take proper and reasonable steps to find other employment and mitigate his loss. The 1978 act provided no basis for an award of the amount of wages over the period of loss in addition to the basic award and wages for that period already paid.

Whether wages in lieu were paid or not the employee need not give credit for sums earned in new employment during that period, but the employee could *only* recover *once* for wages lost in the period of loss determined by the industrial tribunal.

The EAT went wrong in law in ruling that the £704 paid in July 1984 for five weeks starting on July 20, 1984 was not to be deducted from the award for lost wages calculated from July 20, 1984.

Mr Hogarth for Mr Addison submitted that the compensatory award must include the payment in lieu which he would have received on September 30, 1985, namely £844.

The fact that a continuing loss caused the compensation period to run to September 30, 1985 could not entitle Mr Addison to be treated as having had a second notice.

The appeal was allowed.

Lord Justice Bingham agreed. Sir John Donaldson gave a concurring judgment.

For Babcock: David Pannick (T. R. Johnson).

For Mr Addison: Andrew Hogarth (L. Bingham and Co.).

By Rachel Davies
Barrister

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UK NEWS

Confidence over imports lifts investment outlook

BY JANET BUSH

CBI/FT SURVEY OF DISTRIBUTIVE TRADES

BRITISH distributors are beginning to see signs of lower import penetration in their businesses and are on the whole optimistic about prospects for investment and the trading climate in the coming year.

However, the pace of growth in employment in retailing and wholesaling has slowed since late last year, according to the results of the latest monthly Confederation of British Industry/Financial Times survey of the distributive trades.

February saw some recovery in sales volumes in retailing and whole-saling after a weather-depressed January, but the improvement did not quite match up to expectations. Only motor traders reported rises in sales volumes which outstripped expectations, and this sector is the most optimistic about sales in March.

Nevertheless, Mr Nigel Whittaker, chairman of the survey panel, said that an air of optimism had returned to Britain's retail sector and that a favourable budget next week would help sales further during the summer.

The balance of retailers reporting sales higher than a year ago last month fell to +44 per cent, the lowest level since June 1986, but 59 per cent of the 325 questioned expect increased sales this month.

Retailers of household textiles, furniture and carpets reported the best sales growth in February, followed by grocers and clothing shops. Shoe shops said sales were lower than a year ago in February but expected a better performance in March.

Growth in retailers' imports as a proportion of deliveries from suppliers slowed down in February, and retailers now appear to be more optimistic about investment than at any time since November 1985.

They are also slightly more sanguine about the overall business climate. However, according to a special quarterly set of questions on employment included in February's survey, the growth in employment has slowed since November and, as in previous surveys, the number of part-time jobs rose faster than full-time jobs.

Wholesalers, on the other hand, tended to take on more full-time than part-time workers, but still at a slower pace than seen last November. This sector also reported lower import penetration but expected to authorise less capital expenditure in the next 12 months than in the previous year.

Food and drink wholesalers and builders merchants were the most positive, and wholesalers of clothing, textiles and footwear also expected to invest more. But all other sectors expected lower capital spending in the next 12 months.

In February wholesalers' sales volumes were slightly stronger than in January, but still disappointing. The electrical materials and food and drink sectors were among those who reported the best sales last month and, together with builders merchants and wholesalers of household goods, were most optimistic about prospects in March.

Motor traders appeared to be the star performers. They reported faster than expected sales volumes in February, with a balance of +40 per cent saying sales were higher than a year ago compared with +22 per cent in January. For March a balance of +34 per cent anticipates sales volume above year-ago levels.

Traders in parts and accessories reported and expect stronger sales growth than vehicle traders. Orders placed by motor traders in February were well above expectations compared with unexpectedly slow ordering in January.

Problems 'threaten London's share of financial market'

BY PHILIP BASSETT

PROBLEMS in the City of London such as those experienced by Johnson Matthey Bankers and Lloyd's, are bad for the UK's hopes of retaining its share of the world financial services market, Sir Kenneth Berrill, chairman of the Securities and Investments Board, said yesterday.

It was impossible for the increased self-regulation of City affairs to be relaxed to allow the City to adjust itself to the rapidly-accelerating pace of change in its affairs, Sir Kenneth told a conference organised by Acas, the conciliation service.

Greater legal deregulation of the financial markets had to be accompanied by better self-scrutiny – as in the US – and the number of publicised scandals in the US and Britain meant that the pressure for such voluntary regulation would be maintained.

"Failures such as JMB or Lloyd's cast a doubt over the whole of the City, and that is not good for the market, or for its market share – keeping its place as the (financial) centre for this time zone."

Sir Kenneth accepted that it was a lot to ask the City to undergo the level of change which had been occurring in a very short period – and he estimated that perhaps as little as 10 per cent of the changes had taken place – at the same time as increasing self-regulation. But there was no alternative to this combined approach.

The level of opportunity in the City had been greatly increased but so had the risk level.

He singled out independent financial advice as an area which required greater regulation, arguing that there were neither any qualifications, abilities or corporate structure necessary for someone to set up in business at local level as a financial adviser, nor any regulation of their activities when they did.

Jobless future for more men over 55

By Alan Pike

UNEMPLOYMENT is increasingly becoming the norm for men aged 55 and above, according to a report published yesterday by the Public Policy Centre, an independent research organisation.

The report finds that already more than half the men in the 60-64 age group, and a third of those aged 55-59, do not have jobs. It expects the proportion of men who are unemployed or otherwise out of the workforce to rise to two-thirds of 60-64 year olds, and half the 55-59 age group, by the early 1990s.

The report's projections for the 1990's have already been reached in parts of Britain. In the northern region 71 per cent of 60-64 year old and 53 per cent of those aged 55-59 were without work in 1985.

These striking social changes occured almost without the Government noticing, the report says. Mr Nick Bosanquet, the report's author, argues that a lowering of the general age of retirement is too expensive and inflexible a response to the problem. This would leave too many people with inadequate incomes in retirement, and involve payments to people whatever their income and labour market prospects.

The last decade, says the report, has seen a series of unco-ordinated moves by government departments which have substantially increased the numbers of people who can take early retirement. But the arrangements are confusing and viewed as temporary.

It suggests introducing a clear option of early retirement from 60 onwards – on the long-term rate of supplementary benefit – for people who do not have occupational pensions.

The report also argues for new incentives to encourage unemployed people over 55 to take part-time or low paid jobs. Such people should be able to earn up to £40 per week without losing benefits, it says.

A Generation in Limbo: Government, the Economy and the 55-65 age group in Britain; Public Policy Centre, Pollen House, 10-12 Cork Street, London W1X 1PD, £3.95 plus postage.

Janet Bush looks at the background to buoyant tax revenues

Lawson counts budget windfall

THE WEEKS leading up to this year's budget have been awash with optimism, vastly different to the deep gloom which last year provoked a sterling crisis and a rise in interest rates.

The key to this transformation has been an unexpected and unprecedented surge in tax revenues which, according to the latest independent City of London estimates, leaves Mr Nigel Lawson, the Chancellor of the Exchequer £5bn to split between income tax cuts and a lower target for public borrowing.

In the spring months of last year, the collapse in world oil prices caused a run on sterling and provoked talk that the Chancellor might have to raise taxes to make up for lost revenues from oil companies.

However, this year has seen that collapse in oil revenues more than compensated for by a startling increase in tax receipts from other sectors of the economy. The most burning question in the days before the budget is how much money the Chancellor has to give away and how he will use the substantial funds at his disposal.

It seems likely that Mr Lawson will opt to deliver a mixed package composed of a cut in his projection for public borrowing in the next financial year and tax cuts.

It is the buoyancy of tax revenues, which has taken even the Treasury by surprise, which allows him the luxury of choosing a mixture from a number of equally happy options.

The strong growth in tax revenues, particularly of value-added tax (VAT) and corporation tax, is likely to have led to a substantial undershoot of this year's £7bn projection for the public-sector borrowing requirement (PSBR), perhaps of as much as £3bn, providing a plausible background to the give-aways widely expected next Tuesday.

Much of the buoyancy of tax revenues in the present fiscal year is likely to continue into 1987-88. The orthodox Treasury view is that taxes should be cut only on the strength of what is considered to be sustained buoyancy in tax revenues.

It is difficult to forecast precisely how much of the surge in revenues during the current year represents a one-off windfall for the Chancellor because of special factors, and how much is a permanent gain for the Exchequer.

Leading independent analysts believe that, although VAT revenues may fall back somewhat during the next financial year, those from corporation tax will continue to outstrip expectations and remain extremely buoyant.

Mr Gavyn Davies, chief UK economist at Goldman Sachs International, concludes a recent study entitled The British Tax Miracle: "Because much of the buoyancy in the level of overall receipts in 1986-87 will be carried forward into next year, the PSBR arithmetic is placing the Chancellor under virtually no constraints ahead of the budget.

"His measures will depend almost solely on politics and on wider economic considerations (such as inflation and the balance of payments) which will determine the scope for tax cuts as against borrowing reductions."

The boom in consumer spending during the past year has been well documented and goes some way towards explaining strong VAT receipts which have increased by about 5 per cent more than envisaged in the 1986 budget.

There has also been a change in the pattern of spending towards a larger proportion of goods which are subject to VAT, such as durable goods such as hi-fi systems and household appliances.

In the autumn statement, the Chancellor predicted a slow-down in the growth of consumer spending to about 4 per cent in 1987-88 compared with about 5 per cent in the current year although he acknowledged that spending on durable goods might grow by rather more than 4 per cent.

The central focus of the current tax receipts surge is the contribution of British companies. Some of the strength in revenues can be traced to sharp rises in company profits in 1985, and the strong performance last year should ensure that receipts continue to roll in at a rapid pace next year.

Corporation tax receipts so far this fiscal year have risen by 36.1 per cent compared with the same period a year earlier, a startling increase which has come about despite a large fall in the contribution of oil companies. Non-oil corporation tax could be about £1.5bn higher than estimated at last year's budget.

At least part of the story of these increases comes from tax changes introduced by the Government in 1984 which made capital allowances less generous and abolished relief for inflationary rises in inventories. These modifications raised corporation tax revenues substantially.

Many companies were "tax exhausted" in 1984, meaning that they had substantial unused capital allowances and unrelieved losses accumulated from earlier years.

Many of these companies had returned to profit by that year, but some still paid no mainstream corporation tax as they offset their profits against past losses and against capital allowances.

However, as explained in a study by economists at Credit Suisse First Boston, the 1984 tax changes meant that these companies were using up their past losses and past allowances at a faster rate and many had to start paying tax again.

The rise in corporation tax accounts for a large proportion of the funds which the Chancellor has at his disposal to give away in tax cuts.

Whether part of Treasury planning or not, the British public is about to benefit from the heavier taxation in recent years on British companies. As Mr Davies points out: "In some sense the Chancellor is giving back to the personal sector receipts which he has garnered by increasing the effective rate of tax on the company sector."

BRITISH TAX REVENUES

	1983/84 £m	1984/85 £m	1985/86 £m	% increase first 9 months of 1986/87 over 1985-6 9 months	Planned % increase in 1986 budget
INLAND REVENUE					
Income tax	32,507	32,507	35,353	16.7	9.7
Corporation tax	6,184	8,341	10,708	36.1	9.3
Petroleum revenue tax	6,016	7,177	6,375	-76.0	-62.5
Capital gains tax	671	730	908	11.4	12.8
Capital transfer tax	598	658	861	8.6	2.2
Stamp duty	1,130	911	1,228	52.8	10.3
Total	46,706	50,412	55,520	4.6	1.8
CUSTOMS & EXCISE					
VAT	15,218	18,534	19,339	12.4	7.3
Car tax	703	748	863	9.4	11.4
Hydrocarbon oils	5,805	6,291	6,395	15.6	12.3
Tobacco	3,806	4,140	4,459	4.0	9.3
Alcohol	4,072	3,763	4,196	6.9	4.8
Betting	631	663	745	3.2	8.8
Customs duties	1,130	1,326	1,230	2.8	8.3
Total	31,404	35,505	37,305	8.9	8.2
Other consolidated fund taxes	11,003	12,395	13,296	-10.3	-7.8
Total consolidated fund taxes	88,203	98,312	106,201	4.7	2.6

Source: Central Statistical Office/Goldman Sachs

Kinnock strives to rebuild party morale

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR Party leadership yesterday fired the first shots in a counter-offensive designed to boost party morale after a damaging, internal row over a non-nuclear defence policy

There is an acceptance that the last few days have damaged Labour's electoral chances at a time when it was looking to improve its public standing. However, Mr Neil Kinnock, the party leader, is determined to turn the tide with a forceful and co-ordinated campaign to promote a range of policies on the themes it believes will dominate the election campaign.

Mr Kinnock will today speak to the Scottish Labour party conference in Perth, where he will push aside the party's recent internal problems and concentrate on industrial and economic policies.

Last night, he repeated his calls for an early general election and claimed that Mrs Margaret Thatcher, Prime Minister, would wait until after the Budget before deciding on "a very big gamble."

Mr Bryan Gould, the party's campaigns co-ordinator, yesterday told a House of Commons meeting of Labour's finance and industry group that an election victory would be achieved if the party pursued a simple, three-point strategy.

Labour had to promote its positive policies for tackling unemployment and the other problems which it would inherit from the Government. The party also had to subject the Tory record to rigorous, critical scrutiny in order to reveal its incompetent management of the economy.

Ministers appear increasingly confident about general election prospects, given Labour's latest problems. They are particularly heartened by indications contained in the latest opinion polls that the modest increase in support for the Alliance in the aftermath of the Greenwich by-election has been to the detriment of Labour.

There are hopes that support for the Alliance will not, as in the past, automatically rise during an election campaign, now that the party is better known and will not necessarily benefit from additional publicity.

One senior Cabinet minister said yesterday that an election now would return the Government with an overall majority, although the size of the victory was impossible to predict.

With an early May election now apparently ruled out, attention will turn to June as the next possible date.

LEADERSHIP ACCEPTS PLAN COULD RAISE INFLATION

Labour aims for 1m new jobs

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR Party's £12bn, two-year investment programme aimed at cutting unemployment by 1m will be a key element in the party's general election manifesto. The party leadership accepts that the plan could raise inflation by up to 2 per cent.

Labour believes it is still seen as the one party which has the will and determination to reduce unemployment and that success in promoting its policies on the issue will improve its overall credibility as an alternative government, capable of dealing with the country's economic problems.

Announcing the proposals, Mr Neil Kinnock, the Labour leader, attacked the Government's unemployment record, which he said cost the nation £2bn a year in benefits and lost tax revenues. The high number of jobless was socially and economically ruinous and represented "a lead weight of misery dragging on the British economy."

Labour's proposals, aimed at taking 1m people off the unemployment register, involves the creation of 1.16m jobs or training places. An unquantified but significant number of jobs will be part-time.

The package is biased towards job creation in the worst affected regions and will involve a net annual cost of no more than £6bn a year. It will be paid for by reversing any income tax cuts announced in next week's Budget and by additional borrowing.

The party expects that the Chancellor of the Exchequer will be distributing at least £3bn in tax reductions next Tuesday. Mr Kinnock said the Government had wasted resources on paying the bill for unemployment and that £3bn targetted on generating jobs in "housing, healing and helping people" would produce full-time work for 300,000.

Spending the same amount on tax cuts would create, at most, a quarter of that total.

Labour is emphasising that, however much additional borrowing is required to top up the cost of the jobs investment package, the total rise in borrowings under Labour would not exceed the Government's own existing projections by more than £6bn in each of the first two years.

The proposals, which precede further policy initiatives on training and industry and are designed to link into the party's five-year plan for economic regeneration, have been drawn together by Mr Bryan Gould, the party's treasury spokesman.

Original calculations suggested that up to 2m jobs could be created but the emphasis has been on producing a package which is convincing and feasible and which opts for caution, rather than for obviously over-ambitious, pre-election promises.

Concern over relying too heavily on low-cost public sector jobs means that the potential contribution by local authorities towards job creation, given heavy emphasis by

Neil Kinnock: "lead weight of misery"

Mr John Prescott, Labour's employment spokesman, has been scaled down.

Mr Gould said at the launch: "We have been told for eight years that there is no alternative to the rising tide of unemployment but our proposals show that there is."

The Labour document, "New Jobs for Britain", envisages that, at the end of two years and setting aside the additional 300,000 training places being created, the number of new jobs will be roughly equally split between private and public sectors.

The four main job sources are:

● The encouragement of private enterprise, through policies to stimulate investment in manufacturing and the promotion of industrial and regional policy. The measures will create 250,000 jobs, about 150,000 of them coming from cuts in employers' national insurance contributions which will be biased in favour of the regions.

● Stimulation of capital investment in the nation's infrastructure, via a revival of the housebuilding programme and substantial improvements in roads, rail networks, water and sewerage systems. Energy production and conservation will bring the total number of jobs created to 250,000.

● Raising the level of skill training by converting what Labour calls the current piecemeal schemes into a coherent, national training programme offering 300,000 training places, a figure which will be boosted to 360,000 by additional measures. The intention is to establish the best trained workforce in Europe within 10 years.

● Making necessary improvements in the quality of services, embracing health, social services and education. This will provide an additional 300,000 jobs, principally in the public sector.

Mr Norman Willis, the Trades Union Congress (TUC) general secretary, welcomed Labour's proposals, saying they would command "universal support" among trade unions.

But he hinted that implementation of the package by a future Labour government would carry implications for pay bargaining and lead to "tough decisions" within the union movement over the low paid and the jobless.

Workers in black economy 'might be offered tax amnesty'

BY HUGO DIXON

PEOPLE working in the black economy might be offered a tax amnesty as a way of bringing them into the mainstream economy, Lord Young, the Secretary of State for Employment, said yesterday.

He was worried about people who might be topping up unemployment or supplementary benefit by working for cash and those who might simply have started off in the black economy after having filled up an income tax form incorrectly.

"If there are real burdens and barriers which stop people coming back into the system it is my job to smooth them over. It may be that the idea of a tax amnesty is a good one."

He said, however, in an interview on BBC Radio 4's programme, that he had to be fair to people who obeyed the rules and not give all the incentives to those who break them.

Lord Young's comments do not seem to add up to a major change in policy. The Department of Employment said the idea of a tax amnesty was "at a very early stage" and that it was not working on any schemes at the moment.

The Inland Revenue has not turned its mind in any detail to a tax amnesty. Its job was to enforce the tax system as it now stood, which involved tracking down those who evade tax in the black economy. It was up to the minister to propose changes.

BCal seeks routes

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH CALEDONIAN, the independent airline, plans to operate new routes to Scandinavia in the summer of 1988, as well as offering a range of fare cuts of up to 30 per cent.

The airline is applying to the Civil Aviation Authority for rights to fly from Gatwick to Copenhagen (from April 1, 1988), to Oslo from May 1, and from Stockholm on June 1. It is also asking for rights from Gatwick to Rome and Athens from July 1, next year.

One the Gatwick-Copenhagen route, BCal plans to offer a new excursion fare of £97 return, £39 below the current lowest return fare. Similar reductions are planned for the proposed new BCal services to Oslo (a cut of £42 to £107 return), and Stockholm (a cut of £47 to £130 return).

Minister pushes for private rented homes

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE GOVERNMENT is reviewing ways of making more money available to help companies build private sector homes to rent.

Reintroducing capital allowances against corporation tax for companies building homes for rent is one of the options being considered, although this is unlikely to be implemented until after a general election.

Other forms of financial help for the private rented sector are also being considered. Britain has only 1m freely available homes to rent – the smallest private rented sector of any Western country.

These rented homes are disappearing from the market at the rate of 70,000 houses a year and Mr John Patten, Housing Minister, is worried that the market is likely to disappear altogether.

Although the Government wants to see more new homes built for rent without fiscal help, its attempts to encourage this without tax subsidies have run into difficulties which make it increasingly obvious that the tax position will have to be changed, if it wants to revive the sector.

The Government has made clear that if re-elected it will remove the 1977 Rent Act provisions which give uneconomically low rents and secure tenancies from all new lettings.

However, such a move will not tackle the key problems of getting an economic return for developers and providing homes at rents people can afford, when private rented housing is competing with tax-subsidised owner occupation and cheap council housing.

The Government's earlier attempts to revive private rented housing by introducing assured tenancies – a new form of tenure outside the protections of the Rent Act – have already failed because they had no fiscal backing.

"As soon as assured tenancies were introduced capital allowances were withdrawn, and this made building for rent economically impracticable," said Mr Nelson Oliver, chairman of Britain's largest housebuilder, Wimpey Homes.

US electronics group to open Plymouth plant

BY DAVID THOMAS

VITRONICS, a US electronics company based in New Hampshire, New England, is to open its first European factory in Plymouth, south-west England.

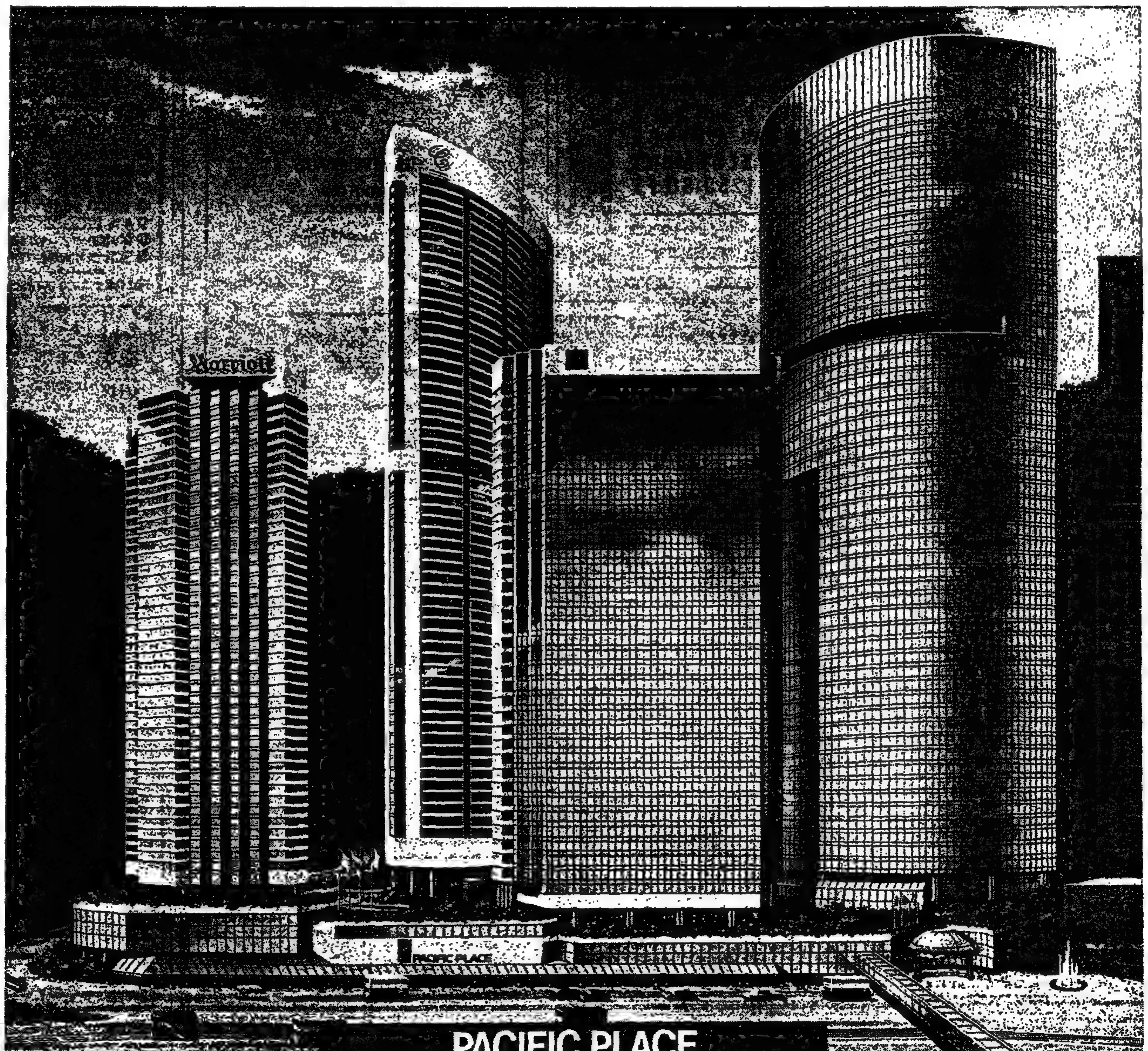
Vitronics makes infra-red systems used in the production of printed circuit boards. Its customers include Philips, IBM, Siemens, Ericsson, Motorola, Plessey and Bosch.

About $2m (£1.3m) is to be invested in the first phase of the factory over the next two years. Some 50 jobs will be created initially, but the company expects that to increase to 100 after about two years.

The Devon and Cornwall Development Body, recently created by local authorities in the south-west, was instrumental in attracting the company to Plymouth.

Last year, Vitronics had sales of about $7.1m, with about $1.5m abroad. Its main European markets are in West Germany and Scandinavia.

Mr Jim Manfield, Vitronics chairman, said yesterday he had chosen England as the site because of the shared language and because freight costs to his main European markets were no higher than if the factory were on the Continent.



THE PROPERTY MARKET By PAUL CHEESERIGHT

Why Wates is something in the City

WATES City of London Properties. The name gives it away. A one product company in one location. Which means office development in a boom town.

The product produced pre-tax profits for Wates City in 1986 of £8.35m against £4.02m in 1985. The boom town conditions allowed the company's rental income to climb last year to £7.35m from £5.66m the year before. Latterly, the share price, unusually for a property investment company, has been snapping around the heels of the net asset value at 158.4p a share.

For the City office developers the conditions have never seemed better. Rents are high and rising. The appetite for space among the financial institutions and the companies which service them is unsatisfied. So much the better for Wates City which does not want and has not sought to diversify out of the district. The boom though is not for ever and at Watse there is a collective memory.

"I remember the 1974-75 crash," said Rodney Clutton, the development director. "Anyone who has worked through that period has a different perspective."

The future for Wates City is the future of the City of London itself. It is possible to calculate the demand and match it up against the potential space available in any of the next two or three years. This is what the chartered surveyors do.

Thus Jones Lang Wootton concluded that "in view of the substantial amount of declared floorspace demand by prospective occupiers, a return to a balanced market state is unlikely to materialise before 1988 at the earliest.

"Pressure on City office accommodation will persist throughout 1987 and into 1988 . . . Rents will continue to rise, particularly for the smaller units, as tenants compete for those able to offer immediate occupation," said Baker Harris Saunders.

These comments now constitute the orthodox assessment of the immediate prospects. But in the medium term it really is a case of consulting the tea-leaves. The fact is that nobody knows. So Wates City plans ahead on assumptions.

"Leaving aside political risk, which I wouldn't discount, I think one can be confident of an increase in world financial services and the ancillary aspects of those services. Undoubtedly the City is one of the three major players in that world and I don't see that changing. So year-on-year there will be growth for the facilities we provide. That doesn't mean there won't be plateaux and downturns," Mr Clutton said.

The problem here is not so much the buildings which exist or are soon to be made available but those, especially the largest, which have to be planned and financed well in advance of their completion. The ultimate nightmare for a City developer would be 300,000 sq ft of offices just completed and sitting vacant because they became available at one of the downturns.

Wates City has a dozen properties, the biggest of which are City Tower, in which it has a 58 per cent stake, and Winchester House, to be re-named 100 Old Broad Street, where, after a joint purchase in 1985 with Friends Provident Life Office, it has a 40 per cent stake. Also it has 33 per cent, in a joint venture with Wimpey, of City Plaza where there are plans for nearly 400,000 sq ft of offices spanning London Wall.

rents are rising and because Moorgate is relatively small, it can afford to wait before signing any lease contracts. The offices are in a district where rents, according to Jones Lang Wootton, have risen by over 44 per cent in three years. Prices are pushing up around £50 a sq ft.

But this approach is too risky for the larger developments. "You pre-let to guard against a downturn," said Mr Clutton. In other words, Wates City seeks to draw on the strength of the market.

As prospective tenants jostle for space, preletting has become

CLUTTON'S CITY CREDO

- FIRST, have substantial funds in place.
- SECOND, acquire an opportunity to produce a first quality building.
- THIRD, put the best product possible on the site, a building which can adapt.
- FOURTH, having got the building, manage it for the maximum income growth.

This year it should receive planning permisison not only for City Plaza and the redevelopment of 100, Old Broad Street, with 379,000 sq ft of offices, but also for Vintry House on the north bank of the Thames with 64,000 sq ft of offices. It has further developments on Cheapside and in the summer, another property in Moorgate, where it is joint venturing with the Worshipful Company of Innholders, will be opened with 44,000 sq ft of offices.

At the moment, the company can ride the market. Because

an increasingly common practice. Baker Harris Saunders noted this month that there is only 3m square feet of speculative space under construction in the City, but there is a further 2.8m square feet of space under construction which is prelet.

But the search for safeguards goes further. The tentacles of the City are spreading. But, Mr Clutton observed: "The only reason people move out of the City core is because they can't get what they want inside it." Indeed, there has been a drift to the west and there is a competitive threat from London Docklands in the east.

Wates City is concentrating its development programme in and around the City core. "Our view and my experience from the 1970s is that if there is any pause in the market, it's the prime products in the prime locations which suffer least," Mr Clutton said.

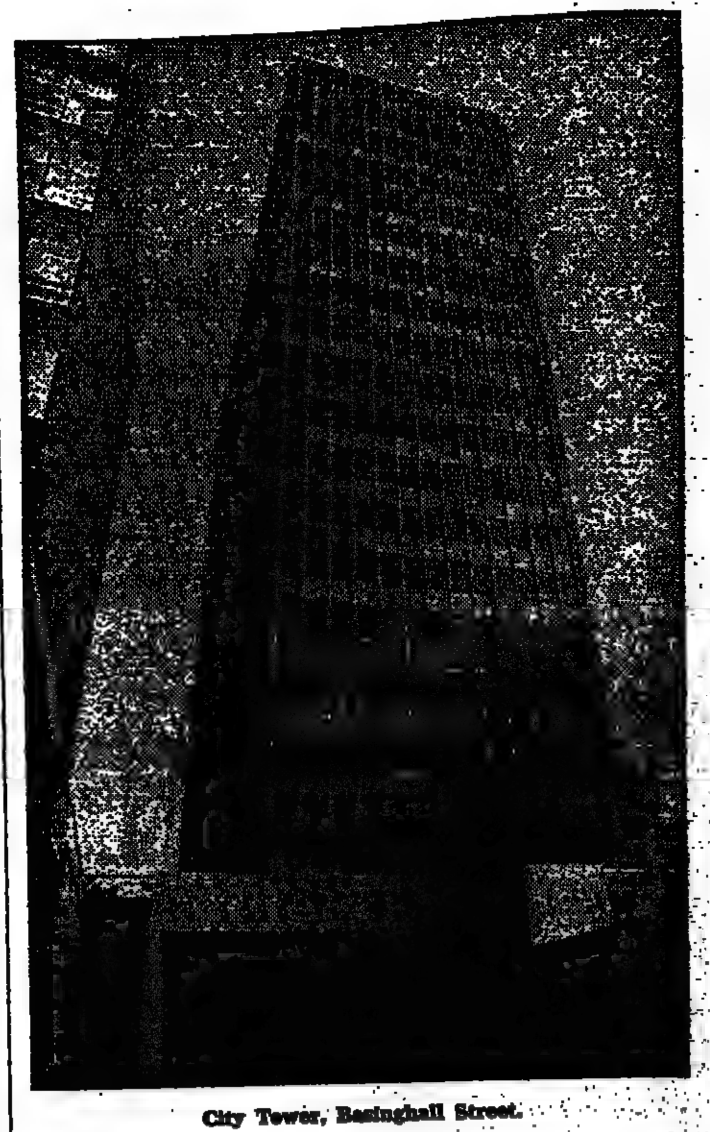
The difficulty with development in the City though is that if the site is empty, and by definition it would have been an expensive site, then the developer is under pressure to start work immediately. On the other hand, if an existing building is to be re-developed, the owner has to cope with the loss of revenue while the work takes place and before a rent stream comes from new tenants.

For Wates City the first is not a problem. It can pick and choose its time for redevelopment, always assuming that it has the planning consents and the building empty. "For the bulk of our holding, there is no pressure to develop," said Mr Clutton. "In the case of Winchester House it is profitable as it stands. In the case of City Plaza, there is no heavy front-end loading. Wimpey and Wates are getting rent. We can wait our time."

And the time is when a potential development is prelet. Finance is not a problem, because it has already been raised. Last year Wates City went to the market with a 9.5 per cent bond issue to raise £25m and issued 50,000 warrants to subscribe £50m of 9.25 per cent bonds. They came on top of a £33.8m rights issue and a £56m seven years multiple option facility which repaid existing borrowings. "We don't contemplate raising money through further rights issues — as a general policy," Mr Clutton commented.

The company, in short, has long-term funding in place for development and has set itself against non-recourse finance, a favoured source of cash for some of its competitors. "We have no off-balance sheet debt and I don't believe non-recourse finance is meaningful for a company like ours — you're paying a premium to get it and a company like ours could not allow a lender to take a major loss and then carry on trading — the company's reputation would not be the same," said Mr Clutton.

Nor does Wates City feel a strong need to play any immediate role in the new property finance market, dealing with securities and units in single buildings, which is likely to be established later this year. Such a scheme would benefit the market, Mr Clutton conceded — "another arrow in the quiver, another way of financing larger schemes, but one has to create a market." It can afford to be detached because it has created its own flexibility. It can look at the City market and, said Mr Clutton, "we can back our judgments with our own cash."



City Tower, Basinghall Street.

Bookshelf loaded on to a disc

US SOFTWARE major, Microsoft, has put 10 English language reference works on to a single compact disc read-only memory (CD-ROM), for use with IBM personal computers and compatible machines.

The 10 works include Roget's Thesaurus and the 1987 World Almanac and Book of Facts. The disc, called Microsoft Bookshelf, will initially be marketed with a reading unit called Laserdrive, developed by Amdek of San Jose, California.

WORTH WATCHING

Edited by Geoff Charlish

In the US, the complete package will retail at $1,099 (£692) from June. Microsoft will make the disc available separately for $295.

About 150 CD-ROM titles have been published in the US and Europe, mostly for specialist areas like the law or medicine. The discs are proving a cheap and simple way of providing bulk information to personal computer (PC) users. Bookshelf is aimed at anyone using an IBM-PC who has to compose text. It will work directly into 14 word processing programmes based on Microsoft's MS-DOS operating system.

Robotic cutters climb aboard

IN FRANCE, Alsthom's Saint Nazaire shipyards are cutting up steel sections for ship fabrication using robot oxygen flame cutters under direct computer control.

Laser vision equipment uses triangulation methods to recognise the sections as they arrive in random order and rejects any that are dimensionally incorrect. A computer aided design and manufacturing (CAD/CAM) system sends data on the parts, and the way they are to be machined, to a main control computer.

Then, during production, the control processor calculates cutting paths, supervises transfer and controls the marking of items that will form specific parts of the ship's structure. Linked to the main processor are logic controllers that operate the handling gear.

Game Engineering of Caupian supplied the system.

CONTACTS: Microsoft: US, (206) 882 8080. Game Engineering: France, 56 668480.

PRODUCT DEVELOPMENT AT BAYER

The drug that became a business tonic

By Jane Rippeteau

JUST DAYS ago, in England, West Germany and the Philippines, a new drug went on the market. Among the first of a fresh generation of antibiotics, it works against certain bacteria that no other drug—including penicillin—can safely touch.

One researcher reports "exceptional results" against typhoid. Other experts believe it could curtail Britain's outbreak of meningitis in children, although it is not approved for that use.

Known as ciprofloxacin, part of a drug family called quinolones, the antibiotic was developed by Bayer, the diverse West German chemicals giant, within its ethical drugs group. It is one of several similar drugs, produced chiefly by the Japanese, that are entering a small but promising niche in the roughly $8.5bn (£5.3bn) world market for antibiotics.

Bayer executives believe they have an edge in that their drug can be taken orally—more convenient and less expensive than intravenous use. The company expects approval to sell the product in the US within several months.

Not everyone is effusive about the new drugs. "It turns out," says one medical expert who asked not to be named, that some bacteria the drugs fight "develop resistance to quinolones, too."

No one expects the products to supplant the leading antibiotics, including penicillins and cephalosporins. But Dr Jonathan S. Gelles, a pharmaceuticals expert with Wertheim Schroder in New York, predicts a handsome market reaching $1.5bn. With margins of up to 90 per cent, he notes, "even 10 per cent of that market can be very profitable."

Bayer executives thought so, too. So anxious were they to get into this business that they managed—almost in spite of themselves—to accelerate the development of ciprofloxacin.

That meant changing a time-honoured system. In 1899, Bayer researchers had discovered Aspirin. In 1939, one of them had won a Nobel Prize for research. But the old ways were not enough.

There was great incentive to speed up. When the company found its compound, "the Japanese were three years ahead of us," recalls Dr Gerhard Schier, a biologist and head of marketing for Bayer's antibiotics products. "We gained time in development. We caught up by at least a year and a half."

It all started in a routine testing session back in 1981.

Quinolones are bacteria-fighting compounds synthesised in the laboratory by chemists, rather than grown as natural moulds or fungi. They were first introduced a quarter-century ago, but it was not until much later that more effective and safer derivatives caused excitement.

Some of that derivative work was going on in Bayer's amply-funded central research laboratories. One day in April 1981, a particular compound in a group, sent for routine screening to Bayer's Institute of Chemotherapy, turned out to be unusually effective in very low concentration, according to Dr Schier. "It was a breakthrough."

The discovery team worked for six months to develop supporting data. That autumn, it laid the find before Bayer's routine monthly research conference, at which projects are reviewed and new ones started. The okay was given for first-phase pre-clinical tests, on animals, to determine effects on blood pressure, the brain and other functions. The compound involved became one of the five in 10,000 screened annually to make it that far.

In 1982, costlier, second-phase clinical trials were approved to test for toxic effects. By March 1983, recalls Dr Schier, "we knew it was clean." A go/no go checkpoint had been cleared. It was the one drug in 10,000 to move into clinical trials—tests on people.

Historically, the development process took a strictly sequential course, according to Bayer executives. "R&D would hand a project off to medical, which would hand off to production, and then to marketing," says Dr Schier. "We realised we had to speed this up."

With the urging of an outside management consultant, called in by the group's top brass, the research unit brought in a "project manager" approach.

The idea is to have one person to co-ordinate the whole process, says Dr Friedrich Hoffmeister, research and development chief for the ethical drugs group. The technique is intended to scuttle the laborious "handing-off" sequence by assigning one individual to follow one project across all disciplines, so that whatever work can be done simultaneously will be.

The system is also meant to speed decisions to get a jump on promising finds and to kill failures faster. This, Bayer figures, helps it to reduce the staggering costs of drug development.

Although some of this thinking was applied to the development of ciprofloxacin, the project manager programme was not formally started until December 1985. Dr Schier—the antibiotics marketing chief—was named to take up the simultaneous post of project manager for ciprofloxacin.

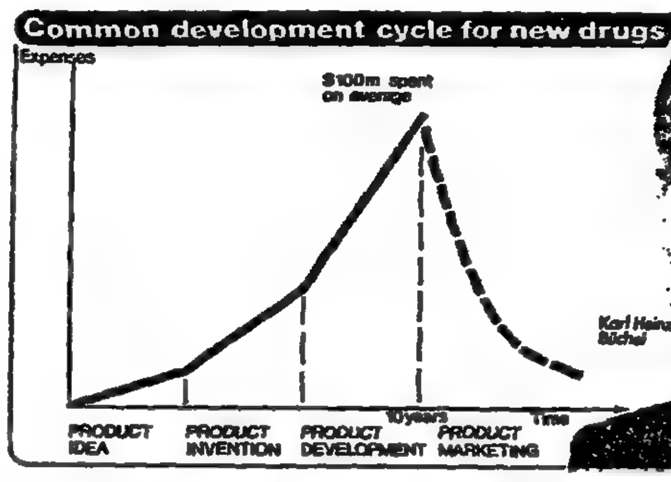
"We wanted a quick launch in major countries, and some clinical trials were still going on," recalls Dr Hoffmeister. Since national registration requirements differ, a lot of co-ordination was needed.

As Dr Schier explains, Bayer had long used a project team concept for product development. But it involved as many as 40 people—anybody peripherally concerned—and met only twice a year. That approach was totally changed.

Under a project manager, team meetings are monthly or more often and involve a tight group: the manager, key researcher, pre-clinical or clinical trial researcher and marketing person. As needed, outsiders — a production specialist or country marketing manager, for instance — are included.

At these sessions, the team makes decisions within the budget and agreed project scope. Problems requiring outside attention are acted on right away. "I don't have to go up one line of command and down another," says Dr Schier.

Outsiders give Bayer credit for the speed with which ciprofloxacin came to market. Together with new hypertension, cardiovascular and other drugs coming out, "Bayer is in the lead or among the leaders in drugs," with sales that could be worth $1bn "within three to four years," says Mr Stuart Wamsley, director and a top chemicals researcher at Greenwell Montagu. "In the past five to seven years, Bayer has really started concentrating very hard on R&D."




Karl Heinz Büchel

At the heart of Bayer's project manager system in the drugs group is a more pronounced market focus. Including ciprofloxacin, the R&D unit is running nine new-drug projects this way and, of those, four are run by individuals called in from marketing. This focus is reflected outside R&D. Last year, Bayer spent $25m to buy back the use of its name in the US—except for Bayer aspirin—from Sterling Drug, and is setting up a US sales force.

Other project managers are selected from pre-clinical (animal) and clinical (human) testing disciplines. Dr Hoffmeister says they are picked for management skill, knowledge, clear thinking, ability to lead without dominating, and also because he believes the person is capable of killing a project that is not working.

One of Hoffmeister's newest managers played that part to a fault recently. He was all set to go on an exciting project when researchers found unacceptably high toxicity. Rather than having to wait for meetings or go through channels, "the project manager knew immediately," recalls Dr Hoffmeister. "He got his group together and made a decision. It took three days. The old way, it could have taken three months. In the past, a lot of projects that could never live, never died."

Hopes of speeding product development have taken hold elsewhere at Bayer—notably in its agrochemicals group—as the company, which sells products from SOS soap pads to advanced plastics for aircraft, moves away from traditional chemicals markets into higher technology sectors.

Bayer has steadily diverted a growing share of its research funding into its Health Care Sector, including pharmaceuticals and diagnostic as well as biotechnology products at its Miles Laboratories in the US. The sector received 17 per cent of R&D spending in 1970, but today gets nearly a third of an annual DM 2.1bn (£714m) outlay.

R&D spending as a per cent of overall sales (estimated at DM 40.2bn for 1986, down 12 per cent from 1985 on exchange rates) is around 5 per cent — nowhere near good enough to compete in the pharmaceuticals business. However, taking just pharmaceuticals, the company is spending 11 per cent of sales on R&D, according to Dr Karl Heinz Buechel, board member and chairman for Bayer R&D. He admits the figure is still below the industry top guns, who spend 12 to 14 per cent.

Dr Buechel, who earlier discovered one of Bayer's most profitable chemical compounds, plans to focus his outlays carefully. "We will aim only for drugs with a market of DM 100m (about $50m) where we can break even in five to six years," he says.

Dr Buechel's thickly-carpeted and sculpture-filled office overlooks the red brick buildings, miles of piping and tall smokestacks of Bayer's production compound at its Leverkusen headquarters. From there, he orchestrates spending.

He wants to alter his "spectrum of scientists," to add more biologists, physicians and other specialists to his traditional supply of chemists.

To attract these people, he is spending millions to build research institutes, both in the US and West Germany. Academic contacts are maintained through research grants, in particular at the Yale University Medical School in the US.

It pays off, says Dr Buechel. A measure of the company's vitality, he says, is that "in the last 15 years, 40 per cent of Bayer turnover, and nearly half of earnings, derived from new products."

The tell-tale heart beating in the Bergisches Land hills

THE QUESTION was: "Have you ever seen a beating heart?" I had not.

Up we went to a sun-filled laboratory. There, hooked into a machine of tubes and needles, surrounded by people in white coats, were a row of thumb-sized, pinkish-brown objects, beating.

They were hearts, extracted that very morning from four guinea pigs. They would beat away until night in a carefully-controlled test of the effect on the heart of a new "calcium antagonist" drug which, it is hoped, will relieve such cardiovascular troubles as angina and hypertension in humans.

The next day, the hearts were to be replaced with fresh ones, extracted from four more guinea pigs sent over from the central station. It supplies animals for drug testing at Bayer's Institute of Pharmacology in the rolling Bergisches Land hills of West Germany.

This goes on every day for as many months as the tests require, and in as many ways as the differing national registration bodies demand. Costs mount. Yet these are only a part of all the tests needed, over years, for both pre-clinical trials on animals and physician-conducted clinical trials on human patients to develop and register drugs for public use.

Such expenses contribute heavily to the average $100m (£63m) that the development of a new drug can cost over a typical 10-year development cycle, according to Dr Karl Heinz Buechel, Bayer board member and chairman for overall corporate research and development. Because toxicity may not be known until late stages of such testing, companies may often have spent up to $50m before a project is killed, he says.

Speed is not only crucial to beat competitors to market. Some drugs take so long to develop that their original patents may be nearly up by the time they get to market. Although Bayer's new drug, ciprofloxacin, still has 15 years of patent life left in West Germany, the company admits that one or two of its other new products will have only three years left under patent once on sale.

Legal Notices

TO THE CREDITORS OF:
THE FREDERICK PARKER GROUP PLC

We, Michael A. Jordan and Robin M Addy of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ, the administrative receivers of the above-named company, HEREBY GIVE NOTICE that creditors of the company may obtain, free of charge, copies of the report we have prepared under Section 48 of the Insolvency Act 1986 by applying to us in writing at the above address (quoting reference SH 518).
Signed: R. M. ADDY
Date: 6 March 1987.

IN THE MATTER OF
FREDERICK PARKER PLC
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at THE CONNAUGHT ROOMS, GREAT QUEEN STREET, LONDON WC2 on Monday, 23 March 1987 at 11.30 am for the purposes of having laid before it the report prepared by the administrative receivers in accordance with the said section and, if thought fit, appointing a committee. [illegible]

M A Jordan and R M Addy
Administrative Receivers

TO THE CREDITORS OF:
HIREPLANT LIMITED

We, Michael A. Jordan and Robin M Addy of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ, the administrative receivers of the above-named company, HEREBY GIVE NOTICE that creditors of the company may obtain, free of charge, copies of the report we have prepared under Section 48 of the Insolvency Act 1986 by applying to us in writing at the above address (quoting reference SH 518).
Signed: R. M. ADDY
Date: 6 March 1987.

TO THE CREDITORS OF:
HIREPLANT (CONTRACT CRUSHING) LIMITED

We, Michael A. Jordan and Robin M Addy of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ, the administrative receivers of the above-named company, HEREBY GIVE NOTICE that creditors of the company may obtain, free of charge, copies of the report we have prepared under Section 48 of the Insolvency Act 1986 by applying to us in writing at the above address (quoting reference SH 518).
Signed: R. M. ADDY
Date: 6 March 1987.

COMPASS NEWSLETTERS LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at THE CLIFTON FORD HOTEL, WELBECK STREET, LONDON W1, on the 13th March 1987 at 10.30 pm for the purposes mentioned in Sections 99, 100 and 101 of the said Act.
Dated this 3rd day of March 1987.
F. R. MILTON, Director
By Order of the Board.

IN THE MATTER OF
FREDERICK PARKER PROPERTIES LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at SHELLEY HOUSE, 3 NOBLE STREET, LONDON EC2V 7DQ on Monday, 23 March 1987 [illegible]

M A Jordan and R M Addy
Administrative Receivers

TO THE CREDITORS OF:
FREDERICK PARKER (EXPORTS) LIMITED

[illegible]
Date: 6 March 1987.

IN THE MATTER OF
THE FREDERICK PARKER GROUP PLC
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at SHELLEY HOUSE, 3 NOBLE STREET, LONDON EC2V 7DQ on Monday, 23 March 1987 [illegible]

M A Jordan and R M Addy
Administrative Receivers

TO THE CREDITORS OF:
FREDERICK PARKER PLC

[illegible]
Date: 6 March 1987.

IN THE MATTER OF
HIREPLANT LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at SHELLEY HOUSE, 3 NOBLE STREET, LONDON EC2V 7DQ on Monday, 23 March 1987 at 3.00 pm for the purposes [illegible]

M A Jordan and R M Addy
Administrative Receivers

IN THE MATTER OF
HIREPLANT (CONTRACT CRUSHING) LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at SHELLEY HOUSE, 3 NOBLE STREET, LONDON EC2V 7DQ on Monday, 23 March 1987 [illegible]

M A Jordan and R M Addy
Administrative Receivers

TO THE CREDITORS OF:
FREDERICK PARKER PROPERTIES LIMITED

[illegible]
Date: 6 March 1987.

EXPERT SYSTEMS USER LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at THE CLIFTON FORD HOTEL, WELBECK STREET, LONDON W1, on the 13th March 1987 at 12.30 pm for the purposes mentioned in Sections 99, 100 and 101 of the said Act.
Dated this 3rd day of March 1987.
F. R. MILTON, Director

IN THE MATTER OF
FREDERICK PARKER (EXPORTS) LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at SHELLEY HOUSE, 3 NOBLE STREET, LONDON EC2V 7DQ on Monday, 23 March 1987 [illegible]

M A Jordan and R M Addy
Administrative Receivers

COMPASS PRESS LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above-named Company will be held at The Clifton Ford Hotel, Welbeck Street, London W1, on the 13 March 1987 at 2.30 pm for the purposes mentioned in Sections 99, 100 and 101 of the said Act.
Dated this 3rd day of March 1987.
By Order of the Board
F. R. MILTON
Director

Company Notices

ENTE NAZIONALE PER L'ENERGIA ELETRICA (ENEL)
$US 300.000.000 FLOATING RATE NOTES DUE 2000

For the six months, March 3, 1987 to September 2, 1987, the rate of interest has been fixed at 6 9/16% P.A.

The interest due on September 3, 1987 against coupon nr 5 will be $US 335.42 and has been computed on the actual number of days elapsed (184) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, a quarterly dividend of twelve cents (12¢) per share on the outstanding Ordinary Shares was declared, payable in Canadian funds on April 28, 1987, to shareholders of record at the close of business on March 27, 1987.

By Order of the Board
[illegible]
Vice-President and Secretary
Montreal, March 11, 1987

Company Notice

ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

[illegible]

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

aac

Telefonaktiebolaget L.M. Ericsson

US$30,000,000 8¾ per cent. Bonds 1989

S.G. Warburg & Co. Ltd. announce that the redemption instalment of US$2,000,000 due 15th April, 1987 has been met by purchases in the market to the nominal value of US$1,700,000 and by a drawing of Bonds to the nominal value of US$300,000. The distinctive numbers of the Bonds, drawn in the presence of a Notary Public, are as follows:-

33	123	337	422	785	1004	1064	1137	1335	1384
1438	1486	1560	1607	1993	2128	2175	4024	4072	4119
4167	4215	4262	4310	4358	4405	4453	4501	4548	4596
4644	4691	4739	4787	4834	4882	4930	4977	5600	5722
5769	5817	5865	5912	5960	6008	6055	6103	6151	6441
6503	6551	6598	6646	6694	6741	6789	6837	6884	6932
6980	7027	7075	7123	7170	7218	7266	7313	7361	7409
7456	8504	8552	8599	8647	8695	8742	8790	8838	8885
8933	8981	9028	9076	9124	9171	9219	9267	9314	9362
9410	9457	9505	9553	9600	9648	9696	9743	9791	9839
9886	9934	9982	10029	10077	10125	10172	10220	10268	10315
10363	10411	10458	11006	11054	11101	11149	11197	11244	11292
11340	11387	11435	11483	11530	11578	11626	11673	11721	11769
11816	11864	11912	11959	12007	12055	12102	12150	12198	12245
12293	12341	12388	12436	12484	15028	15227	17925	17972	18020
18068	18115	18163	18211	18667	18729	18777	18881	19210	19338
19597	19445	19493	19540	19588	19962	20059	20107	20759	21371
21419	21542	21664	21832	21990	22520	23072	24008	24055	24103
24151	24198	24246	24294	24341	24389	24437	24484	24532	24580
24627	24675	24723	24770	24818	24866	24913	24961	25009	25056
25104	25152	25199	25247	25295	25342	25390	25438	25485	25533
25581	25628	25676	25724	25771	25819	25867	25914	25962	26010
26057	26105	26153	26200	26248	26296	26343	26391	26439	26486
26534	26582	26629	26677	26725	26772	26820	26868	26915	26963
27011	27058	27106	27154	27201	27249	27297	27344	27392	27440
27487	27535	27583	27630	27678	27726	27773	27821	27869	27916
27964	28012	28059	28107	28155	28202	28250	28298	28345	28393
28441	28488	28536	28584	28631	28679	28727	28774	28823	29029
29076	29124	29172	29219	29267	29315	29362	29410	29458	29505
29553	29601	29648	29696	29744	29791	29839	29867	29934	29982

On 15th April, 1987 there will become due and payable upon each Bond drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of:-

S.G. Warburg & Co. Ltd.
Paying Agency, 6th Floor,
1 Finsbury Avenue, London EC2M 2PA

or one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 15th April, 1987 and Bonds so presented for payment should have attached all Coupons maturing after that date.

The amount of any missing unmatured Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. Bonds will become void unless presented within 10 years of the redemption date.

US$14,000,000 nominal amount of Bonds will remain outstanding after 15th April, 1987.

13th March, 1987

BURNDENE INVESTMENTS PLC

In a Petition presented to the Court of Session on 5th March, 1987 at the instance of BURNDENE INVESTMENTS PLC, a company incorporated under the Companies Acts [illegible]

"Edinburgh, 10th March, 1987. The Lords appoint the Petition to be intimated on the Walls and in the Minute Book in common form, and to be advertised once in the Edinburgh Gazette and once in each of the Scotsman and Financial Times newspapers; Allow all parties claiming an interest to lodge Answers, if so advised, within 21 days after such intimation and advertisement.
"EMSLIE, I.P.D."

OF ALL WHICH INTIMATION IS HEREBY GIVEN.

DUNDAS & WILSON, C.S.
25 Charlotte Square,
Edinburgh.
Solicitors for Petitioners.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN YAMAICHI SECURITIES CO., LTD.

[illegible]

Clubs

[illegible]

Art Galleries

THACKERAY GALLERY, 18, Thackeray St., W8. 01-937 5883. JOHN BRATBY. [illegible]

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
13	14	15	16	17	18	19

Theatre

NETHERLANDS

Amsterdam, Bellevue Theatre. The English-speaking Theatre company presents Barbarians by Barrie Keeffe, a trilogy of short plays tracing the fortunes of three school-leavers, two white and one black (Tue to Thur). (247 248).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): *Rarely seen* Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, *hailed in some quarters as* vanguard feminist drama; be not put off by that. (836 9987/5645).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

The House of Bernarda Alba (Globe): Lorca's last tragedy in a successful production transferred to the West End from Hammersmith. Nuria Espert, veteran Spanisch actress/director, has drilled a high-calibre cast led by Glenda Jackson and Joan Plowright into a near-authentic portrayal of steam frustration in an all-female household oppressed by both traditional catholicism and the peasant class system. Ultimately it's all a bit British, but the company provides a roll-call of some of the best actresses around – all eclipsed by the ineffably touching Julie Legrand. (437 1592).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s *incorporates gems* from the original film like Shuffle *Off To* Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years *but also updated the musical* genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, *Harvey Fierstein's adaptation of the* French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The *Tony's best play* of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a *funny plot to match*. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): *Rupert Holme's Tony-winning* resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. *(935 6100)*.

She Always Said, Pablo (Goodman): *The company's associate director,* Frank Galati, created this pastiche *of music* by Virgil Thomson and Igor Stravinsky with words by Gertrude Stein and visuals by Pablo Picasso. *Performed by 11 actors,* the work features Picasso's Minotaur as well as *Picasso, Stein* and Alice B. Toklas. Ends April 4 (443 3800)

WASHINGTON

Citizen Tom Paine (Eisenhower): Richard Thomas stars in popular historian Howard *Fast's look at the* Thetford-born American radical's rise and fall to obscurity, in between the fame brought by Common Sense. Ends April 12. Kennedy Center (254 3670).

Exhibitions

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art *more intimate, more pleasing. A* new generation of artists around *Antoine Watteau introduced colour* as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the *diversity of inspiration* and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. *Ends May 3* (4703 8126).

Kokoschka: *The importance of Kokoschka* in the artistic movements of his times, revealed in last year's successful Vienna, The Birth Of A Century, is confirmed by this exhibition of some 80 drawings, water colours and lithographs. It explains why the artist, *derided by the aristocracy and haute bourgeoisie* because of his tormented, mercilessly soul-exploring portaits, left Vienna for Germany to become one of the founders of expressionism. Centre Georges Pompidou, Closed Tue, *Ends March 22* (4277 1233)

LONDON

The Royal Academy: British Art in the *20th Century is a major exhibition* full of interest yet to some extent misleading. The mistake was to try and give a comprehensive overview of "*The Modern Movement*" – the show's subtitle. But the subject is just too big and the gaps are obvious. *Concentrate on what is there*, rather than what is not, and certain *strengths in British Art* in this century do manifest themselves. The *Abstract tradition and its development deserves a show of its own*, but here it is the figurative tradition, quietly expressionist, romantic and always idiosyncratic that makes its point. The British do not fit easily into schools and pressure groups of lasting or particular influence, but individuals bear comparison with the best of their foreign peers. From Sickert and Paul Nash, Gwen John, Matthew Smith and Stanley Spencer, to Bacon, Freud and Auerbach, *there is much in* which to take real pride. Sponsored by BP, *the show ends* on April 5 and moves to Stuttgart.

WEST GERMANY

Munich, Lenbachhaus, Luisenstrasse 33: Franz von Lenbach (1836-1904). The painter had *himself* built a Palast in the Italian renaissance style, finished in 1891. His widow then sold it to Munich in 1925. To mark the 150 anniversary of his birth, the Lenbach Villa will be redecorated with the original furniture and paintings *of the artist. The exhibition* displays 180 pictures and paintings in several rooms. Lenbach, celebrated above all for his portraits, studied at the academy for arts in Munich under Karl von Piloty. Ends March 29.

Bonn, *Städtisches* Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He *did much of his work* in Bonn, and was responsible for a new art *form Rheinische* Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne, Ends May.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertumno, made up of fruit, vegetables and ears of corn. The *exhibition* contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links. – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Turin: Circolo degli Artisti (Palazzo Graneri): One hundred drawings by Rodin from the last years of his life, almost all depicting the female form, in various sapphic, narcissistic and every day poses. The drawings have been chosen by Claudie Jandrin, the curator of the Rodin Museum in Paris, *from its collection* of almost 7,000 graphic works by Rodin. Ends March 29.

Rome: Galleria Nazionale D'Arte Moderna (viale Delle Belle Arti): Rome's leading gallery celebrates the reopening of the rooms devoted to twentieth century painting and sculpture with notable foreign acquisitions, such as Cezanne's last work, Le Cabanon De Jourdan and Bruno Mantura's fascinating retrospective of the *Italian artist,* Domenica Gnoli, who died prematurely *in New York, aged 37. Better known* outside his home-country, Gnoli was *an artist of great subtlety* and delicacy, using (in his large canvasses) the techniques of pop art. Gnoli was also a successful theatrical designer, and many of these designs are included amongst the drawings on show. He produced the costumes for Jean-Luis Barrault's La Belle au Bois Dormant in Paris in 1954 and Robert Helpmann's *As You Like It* at the Old Vic in 1955. Ends April 12.

SPAIN

Barcelona, Edvard Munch (1863-1944): 165 lithos, drawings and his influential graphics of his large output period. Emphasis is his preoccupation with themes of life and death (friezes of life). Fundacion la Caixa, Passeig San Joan 108. Ends March 22.

Madrid, Ben Nicholson (1894-1982): English abstract painter who kept to his idioms with remarkable constancy. His paintings and reliefs are geometrically inspired and derive from the austerer forms of cubism. His abstracts remained unvarying until well after the Second World War, producing monochrome reliefs that relied for their effect on the interplay of finely related surfaces. Sixty-six works on loan by the Tate Gallery, the Moma and Guggenheim, the Kunsthaus and Phillips collection, mostly from 1919-1981. Fundacion Juan March, Castello 77. *Ends March* 29.

Madrid, Jasper Johns retrospective. Born in 1930, this North American artist, with Rauschenberg, was one of the originators of pop art influencing the course of art for many decades, 100 pieces: paintings, collages, assemblages *of objects*, plastic, metal and bronze can be seen. Centro de Arte Reina Sofia Santa Isabel 52. Ends April 5.

Madrid. Nine contemporary French artists: drawings, sculptures) murals. MEAC, Museo Espenol de Arte Contemporaneo, Paseo Juan Herrera. Ends March 22.

Madrid, Gilbert and George. British Artists exhibit spectacular murals defined as living sculptures demonstrating *daily life*. Palacio de Velazquez, Retiro Park. Ends Mar 29.

Madrid, Agustin *Ibarrola. Retrospective* of Basque artists work, totals *1,000 exhibits: drawings,* engravings, oil paintings, cardboards, woodwork *of* 1950-87. A mural weighting 20 tons and 200 railway tracks carefully and worked on show at the Retiro Park, Palacio de Cristal. Ends April.

Madrid, Art And Its Double. A New York Perspektive. 15 New York City artists chosen by art critic Dan Cameron, gives a perspective of latest trends in the US. Fundacion la Caixa, Serrano 60. Ends March 22.

Madrid. *Diego Rivera. A retrospective* 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 100 oil and tempora paintings, 110 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

NETHERLANDS

Amsterdam, *Maison Descartes: Modern Indonesia in the paintings of* Jean-Pierre Giacobassi. Ends March 25.

NEW YORK

IBM Gallery: This *free exhibition* space brings to New York shows curated elsewhere, like the present offering of Pacific island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 26. 57th & Madison.

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and watercolours and 50 drawings and prints, some by arrangement with the Klee Foundation *in Bern* which has rarely lent them (including *large-format paintings* from his later life). Ends May 5.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in *Andrew Carnegie's Fifth Avenue* mansion, features a special show on *folding fans*. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 60 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

Pierpont Morgan Library: Young Queen Victoria, an exhibit of autograph manuscripts, letters, drawings and other memoribilia commemorate the 150th anniversary of the queen's accession to the throne. Ends April 12.

Museum of Modern Art: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs starts its American tour showing the evocative panoramas *and fleeting moments* on the streets of Paris between the wars. Ends March 24.

WASHINGTON

National Gallery (West Bldg): The Age of Sultan Suleyman the Magnificent explores the height of art and technical development during the Ottoman Empire in 210 16th century manuscripts, silver, gems, kaftans and ceramics. Ends May 17.

CHICAGO

Art Institute: A retrospective of more than 150 *of John Singer Sargent's* paintings, watercolours and drawings provides the first major overview of the artist's work in 80 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

Music

BRUSSELS

Palais Des Beaux Arts (512 50 45): Festival Strings of Lucerne conducted by Rudolf Baumgartner: Händel, Bach, Mozart, Boccherini, Mendelssohn (Tue). Belgian National Orchestra conducted by Mendi Rodan with Janos Starker, cello – Haydn, Mahler (Thur).

ITALY

Milan: Teatro alla Scala: Amsterdam 18th Century Orchestra: Bach, Haydn and Mendelssohn, conducted by Frans Bruggen (Mon). (80.91.26).

Rome: Auditorium in Via Della Conciliazione: Garcia Navarro conducting the S. Cecilia orchestra and the Guitarist Narciso Yepes. Stravinsky, Rodrigo, Turina and Ravel (Mon and Tue). (654 1044).

Rome: Chiesa di S. Agnese in Agone: The violinist Giuliano Carmignola (with the Gonalone Chamber Orchestra). Bach and Vivaldi (Thur). (68.75.952).

Rome: Teatro Olimpico (Piazza Gentile da Fabriano): The pianist Maria Tipo. Scarlatti, Beethoven and Schumann (Wed). (393 304).

Rome: Teatro Ghione (Via Delle Fornaci 37): Alessandra Ramacci, piano. Scarlatti, Testa, Mendelssohn and Chopin (Thur). (637.2294).

NETHERLANDS

Amsterdam, Concertgebouw. The Leonid Hambro Piano Quartet (Mon). Huub Kerstens conducting the Xenakis Ensemble, with Aki Takahashi, piano: Xenakis (Tue). The Concertgebouw Orchestra conducted by Kent Nagano, with Michel Béroff, *piano: Takemitsu, Messiaen, Janacek* (Thur). Recital Hall: Dutch chamber music, with Ton Koopman, harpsichord (Mon). Jard van Nes, contralto, accompanied by Gérard van Blerk: Sibelius, Strauss, Pijper, Debussy, De Falla (Tue). The Mélos Quartet: Beethoven, Schumann, Ravel (Wed). (71 83 45).

Rotterdam, Doelen. Massed choirs with works by Tchaikovsky, Verdi, Gounod, Koennemann (Thur). (414 29 11).

Utrecht, Vredenburg. Günther Herbich conducting the Rotterdam Philharmonic, with Michel Roche, cello: Schubert, *Lalo*, Beethoven (Thur). (31 45 44).

Arnhem, *Music Sacrum*. Piano recital by Geoffrey Douglas-Madge: Busoni, Liszt, Beethoven (Mon). (51 61 91).

Groningen, Oosterpoort. *Mischa Maisky*, cello, Steven Hoogenberk, piano: Stravinsky, Bach, Schubert, Bloch, Paganini (Tue). Wim van Beek, organ, and the Toonkunst Choir: Widow, Franck (Wed). (13 10 44).

PARIS

Gundula Janowitz, soprano, Peter Waters, piano (Mon). Theatre de l'Athenee (4742 6727).

Vladimir Spivakov, violin: Mozart, Shostakovich, Tchaikovsky (Mon). *Salle Gaveau* (456 32030).

Orchestre Colonne and choir conducted by Jean Sourisse, vocal ensemble Audite Nova: Liszt, Faure (Mon). La Trinite church (423 37289).

Vladimir Spivakov, violin, Vladimir Krainev, piano, Tamara Sinyavskaya, Bolshoi's mezzo-soprano: Bach, Shostakovich, Mozart (Tue). Salle Gaveau (456 32030).

Orchestre de Paris conducted by Peter Flor: Weber, Bruckner (Wed, Thur), Salle Pleyel (456 38796, 1pm–6pm).

LONDON

Paul Tortelier, cello, with Geoffrey Pratley, piano. Bach, Beethoven, Debussy and others. Barbican Hall (Mon). (638 8891).

London Symphony Orchestra conducted by Myung Whun Chung with Martha Argerich, piano. Mozart, Ravel and Haydn. Barbican Hall (Tue).

Philharmonia Orchestra conducted by Giuseppe Sinopoli with Matt Haimovitz, cello. Debussy, Lalo and Elgar. Royal Festival Hall (Tue). (928 3191).

BBC Symphony Orchestra and Chorus and BBC Singers conducted by Sir John Pritchard. Dvorak, Sibelius and the first British performance of Szymanowski's Harnasie. Royal Festival Hall (Wed).

John Williams and friends, including Paco Pena: Vivaldi, Giuliani and others. Barbican *Hall (Wed)*.

London Symphony Orchestra conducted by Sir Colin Davis with Arturo Benedetti Michelangeli, piano. Beethoven and Sibelius. Barbican Hall (Thur).

BBC Concert Orchestra conducted by Laszlo Heltay with Eiddwen Harrhy, soprano and Stephen Roberts, baritone. Faure and Walton. Royal Festival Hall (Thur).

SPAIN

Madrid, Orquesta y Coro Nacionales de Espana conducted by Walter Weller with violinist Domingo Tomas: Mozart and Tchaikovsky. (Wed and Thur). Orquesta y Coro de RTVE conducted by Heinz Fricke: Mozart, Devienne and Bruckner. (Thur). Teatro Real. Carlos III.

Barcelona: Chamber Orchestra of Pregue. Bach, Mozart and Vorisek. Palau de la *Música Catalana*. Amadeo Vives 1. (Thur).

NEW YORK

Carnegie Hall: Amadeus Quartet with Bruno Canino piano. Mixed programme (Wed); Orchestre National de France. Lorin Maazel conducting. Mixed programme (Thur). (247 7800).

Music at the Crossroads (Whitney Museum Branch): The third annual American Sampler this week features the Jimmy Heath Quartet and Jimmy Heath and his Latin Jazz performing contemporary jazz. (Tue, 6pm). Sculpture Court, Philip Morris Bldg, 42nd & Park.

CHICAGO

Chicago Symphony (Orchestra Hall): Chamber series with the Chadamin Trio. Heiden, Joseph, Tchaikovsky (Mon); Sir Georg Solti conducting. Kiri Te Kanawa soprano with Chicago Symphony Chorus. Bach (Thur). (435 8111).

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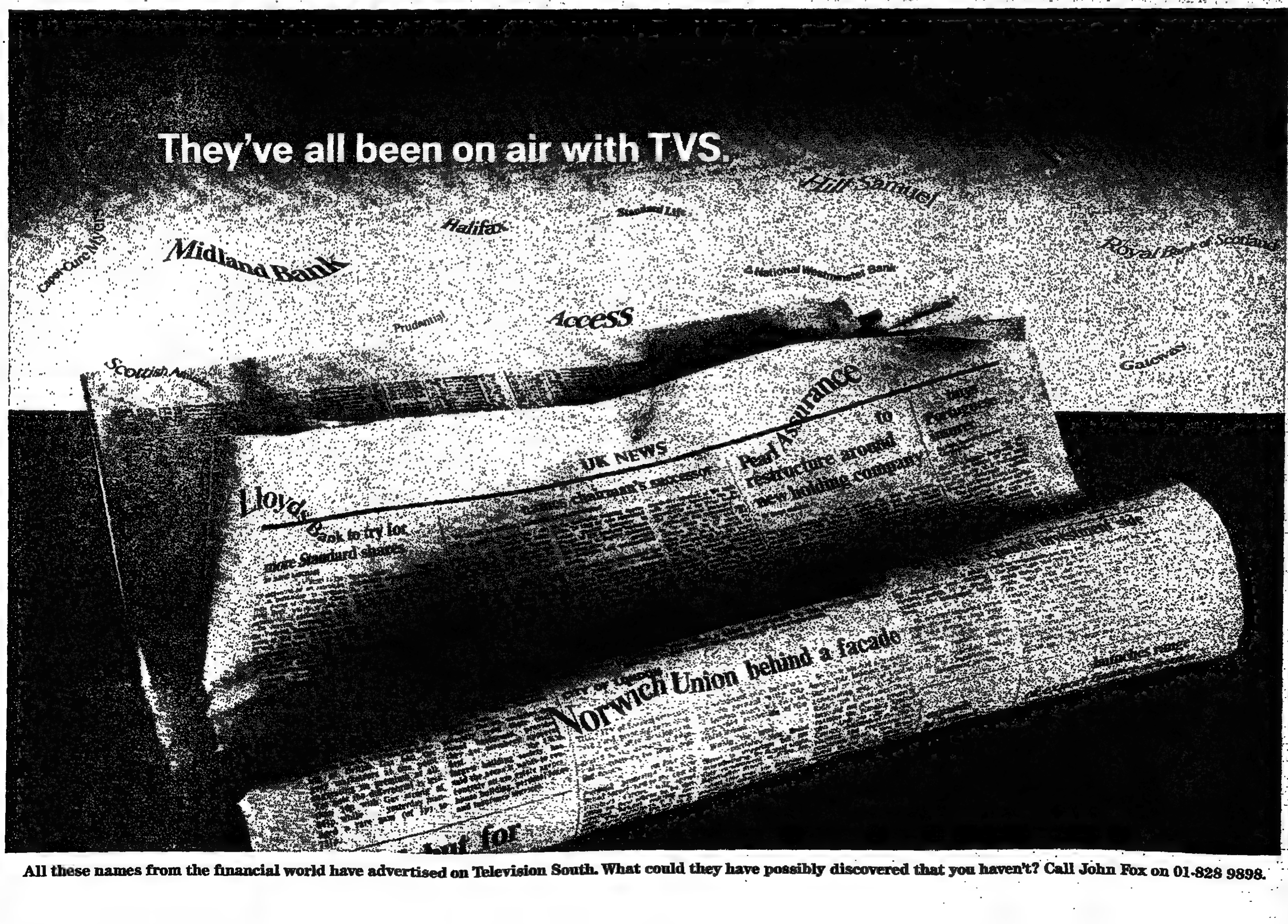

THE ARTS

Cinema/Nigel Andrews

The tang of childhood truly remembered

Stand by Me directed by Rob Reiner
The Green Ray directed by Eric Rohmer
Trick or Treat directed by Charles Martin Smith
Deadly Friend directed by Wes Craven
The Killing Floor directed by Bill Duke

The 1950s are modern American cinema's cult decade. "We knew exactly who we were," says narrator Richard Dreyfuss in *Stand By Me*, looking back on his boyhood, "and exactly where we were going." Speaking personally, I had not the faintest idea where I was going in the 1950s. Life seemed to be an endless assault course of one school term after another, one brutalising matron after another, one set of exams after another. No schoolboy of my acquaintance ever got a group of friends together, as happens in this film, to go out into the countryside to look for a dead body.

Though based on a Stephen King story called *The Body*, the movie's Gothic elements are entirely marginal. The walking trip taken by four Oregon 12-year-olds to see the dead body of a boy hit by a train — he lies, they have overheard, 20-odd miles down the track — is a quest in which what matters is the spirit of the enterprise, the ideas, stories and feelings they exchange on the way. The glimpse of mortality beckoning at the end of the line is merely the seal on a larger, subtler journey to maturity.

I am usually sceptical of films in which characters "grow up" overnight, transformed by some alchemical experience they will remember all their lives. But *Stand By Me* has the tang of childhood truly remembered: that time when the utmost idiocy of thought and behaviour alternates with the utmost solemnity. One moment the four boys (Wil Wheaton, River Phoenix, Corey Feldman, Jerry O'Connell) are haring hysterically over a narrow rail-bridge trying to beat a pursuing train, the next they are earnestly discussing whether Mighty Mouse could beat Superman. One moment they are happily dunking each other in a swamp; the next, they are sitting out a long night in the woods swapping tales of pain and sorrow from their brief pasts.

Director Rob Reiner's previous movies suggested a career destined to zigzag wildly between the screwball-comic (*This Is Spinal Tap*) and the sentimental (*The Sure Thing*). Here he synthesises the funny and the touching. The film has loose ends: a camp-fire story told by one boy about a pie-eating contest, which Reiner dramatises for us (we suddenly seem to have escaped into another film), and two framing scenes with Richard Dreyfuss, playing one of the boys who has now grown up into a successful writer. But no one expects tidiness from a shaggy dog story, and *Stand By Me* is exactly that: at once rambling and mesmeric, and cheerfully barking its heart out between-whiles with a medley of 50s songs.

*

The Green Ray is the latest from Frenchman Eric Rohmer, of *My Night With Maud* and *Claire's Knee*. The ray of the title, we are told, occurs in the last moments of a sunset. According to Rohmer—and to Jules Verne who wrote a novel on the subject—the green ray gives anyone witnessing it a sudden insight into his own thoughts and those of anyone he is with.

Or she. Delphine (Marie Rivière) is a gawky teenager, currently sans boyfriend, who

Kiefer Sutherland and River Phoenix in "Stand By Me"

cannot decide where to go for her impending summer holiday. So she is soon carting herself gloomily all over France from a friend's farm in Normandy to a weekend in the ski mountains, from a return touchdown in Paris to a few days in Biarritz. She tends to be a menace to all who meet her: being long-faced and indecisive, prone to tears and desperate for romance while also desperate to avoid it.

Although it won the Golden Lion at Venice last year, this is the weakest in Rohmer's current series of films called "comedies and proverbs." In other circumstances, Mlle Rivière might have been lovably awful: like the moody, ill co-ordinated heroines of *Le Beau Mariage* or *Nuits de la Pleine Lune*. But Rohmer chooses not to script his players' dialogue this time, and improvisation too often results in charmless confusion and prolixity rather than rejuvenating freshness. (Who would not run screaming into a neighbouring *departement* when Delphine starts in on the subject of vegetarianism over dinner on the friends' farm?)

But there are still moments of Rohmer magic: not least the green ray itself. This metaphysical tease (we never actually see it nor or we sure that any of the characters do) becomes as ingenious a plot device as the body in *Stand By Me*. It lures the audience on in search of a chimerical denouement, and it casts an air of mystic expectation over a story in which little palpable drama — even by Rohmer's standards — happens.

*

"This is total Darwin," says says someone in *Trick or Treat*, "the survival of the fittest." Indeed it is. How many filmgoers can last a full 15 rounds in this week's pair of horror movies? In the above-named farrago a dead rock singer (Tony Fields) goes on a vengeance spree, with the help of a schoolboy (Marc Price) who has inadvertently helped him to return to life. When not having your ears bludgeoned by the rock soundtrack, you will have your retinas ravaged by the special effects (graphic electrocution a speciality). Charles Martin Smith directed.

In Wes Craven's *Deadly Friend* we have a lovable robot who is shot to pieces by a loony matron somewhere in American suburbia. The robot's brain is then implanted by his young owner in the body of his lately slain girlfriend. The operation, unfortunately, is not successful. The girl is soon wandering the town in her nightie, wearing too much green eye-shadow and murdering people. The loony matron, for instance, has a football thrown at her head, causing it to explode like a tomato, whereupon she (the matron) gibbers headlessly around the room spouting blood, and then dies. It is all very distressing. It is also (the film) very tedious.

Nought for your comfort either in *The Killing Floor*. The unions are getting restless in the Chicago stockyards, circa 1919. And the struggle between workers and bosses is further complicated by a blacks-versus-whites conflict inside the labour force. Strong subject: but the story dramatising it, filmed in penitential browns and with a humourless, polemical sincerity, is as exciting as watching slogans dry. Bill Duke directed, Elsa Rassbach wrote the story and produced.

Mahler's Eighth/Festival Hall

David Murray

Soon or later someone had to try Mahler's Eighth Symphony, the "Symphony of a Thousand," in the Festival Hall. One wouldn't have guessed, however, that the intrepid band would be the Young Musicians' Symphony Orchestra, the admirable training orchestra for students on their hopeful way into the profession. The principal choirs were the London Choral Society and the Pro Musica Chorus, with a boys' chorus drawn from the London Oratory School and King's House School.

Conducted by James Blair, they made a magnificent noise, crowned by faultless extra brass in the V.I.P. box. As a feat of musical engineering Blair's performance was awesome. With not far from 500 performers to control, he kept the ensemble absolutely taut throughout; and the excellent choirs—sounding very distinct in the dryish acoustic, gaining something against the inevitable loss of depth—were so well prepared that some pitch-droop in the quietest chromatic part of the Chorus Mysticus was their sole lapse.

It was exhilarating enough that quibbles about interpretation should not be laboured. The security of the performance was won at some cost to flexibility: brisk, sturdy tempi suited the "Veni, creator spiritus" movement, but the same sort of gait in the *Faust* movement produced an effect of one-thing-after-another, without a sharp dramatic profile (nor much playing below the mezzo-forte level). The achievement was so far beyond what could reasonably be expected, nonetheless, that passing disappointments were quickly forgotten. There was first-desk work of a high order (including a fine solo piccolo near the end).

The professional solo singers were strongly led by Penelope Walmsley-Clark, though she was less convincing when alone in the *Faust* movement. There, Alison Hargan and Penelope Walker seized their own moments with particular conviction; and Kenneth Bowen, whose tenor has less bloom than in former years, sustained his long lines to admiration. David Wilson-Johnson was a fervent Pater Ecstaticus. The other singers, all efficient, were Helen Willis, Michael Pearce and Patrizia Kwella. Pearce and Miss Hargan were last-minute replacements, identified neither in the programme nor from the platform: somebody's knuckles should be rapped.

LMP Wind/Wigmore Hall

Max Loppert

The London Mozart Players Wind Ensemble (mouthful of a name) have begun regular performances as a separate concert-giving entity — Wednesday's recital was, apparently, the "official debut". Great Mozart (the two octet serenades, in E flat, K375, and in C minor, K388/384a) began and ended the concert, and some absorbing Nielsen (the Wind Quintet) and lively, diverting Hummel (the E flat octet Partita) came in between. A splendid programme: the Ensemble played it all efficiently, with skilful ensemble and well-blended, pleasing tone (except for some passing horn fluffs), but there was little sense of a concerted, vital approach to most of the works on offer. Blandness, of a particular English kind, was the order of the evening.

Both Mozart serenades are innately dramatic pieces — the worlds of the E flat and of *Cosi fan tutte*, that "wind-divertimento opera," might almost be said to collide. Not much concert-hall drama here. In the opening movement of the E flat the players tended to sit on the first beat of the bar rather than project the phrases across the bar lines; little could be felt of the quick responsiveness to passing details that one recalls from Mozart performances by, say, the Budapest or Netherlands Wind Ensembles. The slow movements of both serenades were beautiful, in their detached, almost abstract fashion; but in both finales the failure to bring down the curtain with a flourish was most keenly to be regretted.

The Nielsen quintet, one of that composer's most immediately appealing works, received a slightly more committed reading. The charm of the music lies in its marriage of pastoral melodic simplicities with the characteristic astringency of Nielsen's modally inflected harmonies; the performance could be praised for not tidying up all the quirks and astringencies, even if the variation-finale seemed to shirk the dramatic culmination promised by its "Praeludium." The raw materials of the LMP Wind Ensemble are excellent, but their conversion into finished products is evidently still some way off.

Britten-Shostakovich/Elizabeth Hall

Andrew Clements

After Britten / Tippett, Britten/Shostakovich. Scarcely has the London Sinfonietta's festival last autumn settled unsatisfyingly into the memory than Richard Hickox and the City of London Sinfonia have launched another Britten festival, this time pairing him with Shostakovich. The new celebration is much less lavish: two concerts this month, two next. Even if it is not the comprehensive Britten retrospective that would be worthwhile, Britten and Shostakovich do sit well together for musical and extra-musical reasons.

In the second concert of the series on Wednesday, however, the Russian was undoubtedly the better served. Britten was represented by the *Cantata Misericordium* (with Martyn Hill and Stephen Roberts as soloists) and the Suite on English Folk Tunes. Neither work is out of the top drawer, and the Suite really demands absolute precision if it is to succeed. For Hickox the woodwind soloists especially just could not manage the poise and simple purity to give any resonance to the themes.

In Shostakovich's First Cello Concerto, however, the orchestral playing became much more purposeful, and underpinned Robert Cohen's reading with great eloquence. Cohen was on exemplary form, attacking the first movement with fervent vigour, bringing enormous concentration to bear upon the Moderato, stilling it magically before increasing the tension remorselessly through the big cadenza. It was an account that measured the work exactly.

Alongside the concerto Hickox placed the Five Fragments for Small Orchestra which Shostakovich wrote in 1935, and withdrew after the first performance until they were exhumed 30 years later. They appear now simply to be sketches for material explored more fully elsewhere — the third, for example, is surely a test run for the Largo of the Fifth Symphony; the Mahlerian solo violin of the last occurs again in the Fourth Symphony written a year later.

Black Star/Octagon, Bolton

Michael Coveney

Ira Aldridge (1807-1867) was the first black actor to play Othello in London, and as famous in the role as were Kean and Salvini. He is not much remembered although he was an inveterate trouper who toured with missionary fervour throughout Russia and the provinces. It is in eastern Poland, after the suppression of rebellion, that David Pownall sets his fascinating new play. The portrait of Aldridge is far different from the image we have of an African Roscius who raised hell and much goodwill for the negro cause throughout eastern Europe. In London we have a handsome bust in the dress circle bar at Drury Lane and, in Manchester, the City Art Gallery displays a fine portrait by James Northcote that was identified only in 1983 as probably being a warily reflective Aldridge in white silk, a sleek predator with the luminous beauty of Sydney Poitier or Mohammed Ali.

Joseph Marcel in the leading role at Bolton contradicts this beautiful image but conforms more nearly to other and squatter pictorial representations. Most importantly, though, Pownall's portrait presents a complex view of an artist caught in a tricky political situation. Newly remarried, he has had a disappointing first night as Shylock and is told that people have enough worry about the Jews at home without going to see them refreshed in the theatre. The punters, or rather the Russian autocracy, demand the black Othello. The ambition of this drama is therefore admirably indebted to both Sartre's *Kean* for its romantic melodrama, and to Mnouchkine's *Mephisto* for its investigation of the conflict between an artist's role in society and society's demands on the artist.

Pownall also tries, with mixed success, to turn racial attitudes inside out so that the blackness of Aldridge becomes an issue peripheral to the unacknowledged Jewishness of the hostess with whom he has fallen, in the hectic manner of Kean, in love. The husband, Karial (Stephen Mackenna) is flushed out in an on-stage burst of defiant Polish patriotic sentiment and callously shot down by the Russian agent Goldze (Ray Jewers) who stalks the theatre and even seduces Aldridge's new wife.

Pownall has fictionalised a background to Aldridge's Russian and Polish fame—the actor is in fact buried in Lodz and his grave tended by the Society of Polish Artists—in the same way as he invented a dramatic context for Stalin's aethetic purge in *Master Class*. None of the play's incidents is drawn from the authoritative 1958 biographical source by Herbert Marshall and Mildred Stock. Indeed, most accounts of Aldridge's acting celebrate his unostentatious technique, intellectual integrity and silken delivery, whereas Mr Marcel portrays an on-stage buffoon who flings out a pot pourri of Shakespearian highlights contemptuously broken up with Yankee Doodle strummings on the banjo. I find a confusion arising, though, when we are asked to believe that this absurd mummer is storing up cash to liberate the slaves back home while calmly collaborating in the Polish patriot's murder before smuggling the widow out of danger in a property basket.

John Adams's production, renewing his Pains Plough association with Pownall before he, Adams, departs for the Birmingham Rep, does sterling work in spite of a slightly disintegrating second act, and there is a fine gabled setting by Nick Bearwish which transports up from Polish domestic interior to backstage touring theatre with a flurry of pulleys and risibly one-dimensional scenery. That transformation, in fact, might have been better integrated into the play's action.

Joseph Marcel, forsaking the colonial Sandhurst Othello he gave at Hammersmith, is unafraid to make the Welkin ring and is particularly good at establishing moods of glistening rage and delightful lapses into minstrel savagery. He never allows you to forget he is a tolerated but uninvited guest. His confused lover and part-time Desdemona is Mary Jo Randle, and the wife of Ellie Haddington is curiously long-suffering for one only recently hitched — that very month in April 1868.

Fiddler on the Roof/Manchester

Martin Hoyle

After record-breaking advance bookings, Manchester has welcomed Topol to the Opera House in the show that he launched in London 20 years and one month ago. Both Topol and *Fiddler* have worn well, as the residents of what is becoming the British capital of the musical stage can see over the next three months.

The literate book and lyrics are drawn by Joseph Stein and Sheldon Harnick from Sholom Aleichem's stories of Jewish village life. Jerry Bock's musical score dresses hauntingly memorable tunes ("Matchmaker, Matchmaker," "Sunrise, Sunset") in melancholy Slavonic garb with a dash of the orient. Despite its Broadway provenance the work's integrity is intact. The treatment of the shadows cast over this rural community by Tsarist programs avoids both cheapness and opportunism. The expected sentimentality never quite materialises. Richard Altman and Irene Claire have recreated Jerome Robbins's direction and choreography; both Boris Aronson's Chagall-flavoured sets (now a trifle wishy-washy) and Patricia Zipprodt's costumes are reproduced.

The ultimate degree of vitality is as yet missing; but the excellent ingredients including a 24-piece band are all there.

The show expectantly awaits the kiss of life from its star. As Tevye the philosophical milkman, Topol dominates the stage but wears his authority lightly. Any more relaxed and he would be dangerously soothing. As it is, he knows there's no hurry, perfectly judges the weight and pace of word dropped casually into his one-sided dialogues—argumentative, appealing, resigned—with the deity, aptly sited between gods and circle, house left. He becomes, in all senses, the part so well that we forget how unsuitable he is to the original. The Zero Mostel-type of flustered bluffer, shruggingly adapting to force majeure (usually in the shape of his wife), he is not.

Both the strength and the weakness of Topol's performance lie in the enforced restraint of a personality more dynamic than the role he plays.

The pageant of rural life lovingly unfolds in the first, stylised routine, "Tradition," and a good company gives solid support thereafter. Tevye's daughters are led by Sandra Fox's sweet, anxious Tzeitel who eventually marries her struggling little tailor (a beautifully-rounded vignette from Simon Bamford in touching detail) and the fresh-voiced Leigh Samuels, charming as the thinker of the family who joins her student lover in Siberia. The young couples overcome the patches of conventional material in the romantic songs that could be from any musical. Despite some under-directed characters among the goyim, the piece ends movingly with the newly unrooted Jews trudging the revolving stage in their latest exodus. For some of them, unthinkably and in a manner undreamt of, the worst of times is yet to come.

New York Theatre

Frank Lipsius

Heidi Landesman's set for Janusz Glowacki's *Hunting Cockroaches* at the Manhattan Theatre Club is a drab grey bedsit. It looks like the poor, deprived Poland the emigre playwright left behind, but no, it's the middle of the night on the lower east side of New York where an emigre couple have landed in their flight to freedom.

Dianne Wiest enters reciting Lady Macbeth's "Out, damned spot" speech in a sing-songy Polish accent while she hangs a teabag and her stockings to dry. Turning to the audience she asks, "They say I have an awful accent; do I?" She does. It is execrable and hilarious.

She makes everything sound funny, especially her present predicament as a famous Shakespearian actress in Warsaw who, after three years in America has only played the part of a Polish emigré at the Museum of Immigration: now she is even deprived of that humble occupation since the museum is being renovated.

Her husband, played by Ron Silver, is a famous Polish actor disgusted at teaching Kafka to girls who drive to school in sports cars. He projects an image of the old-fashioned Polish nobility driving taxis in Paris between the wars.

When his wife mentions being interrogated by the immigration authorities, he reminds her it is an "interview"; when the immigration interviewer emerges from beneath the bed to ask if his wife practices prostitution, the husband sagely advises her, "Take it as a compliment."

The last of a succession of visitors to this humble hovel, a Polish censor inviting the couple to return to Warsaw, warns them that 2,000 Russian intellectuals are about to emigrate to New York, "all of them brilliant. You can introduce them to your editor," he taunts. *Hunting Cockroaches* is imbued with the spirit of contemporary Polish theatre at its exhilarating, ironic best, where the joke is on everyone cringing between the eastern inferiority complex and western complacency.

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In one scene at the end of Act 1 of Wole Soyinka's *Death and the King's Horseman* at Lincoln Centre, five teenage girls in school uniforms taunt black soldiers sent to arrest Elesin, a Yoruba chief intending to kill himself as part of a tribal custom. The girls surround the soldiers, grab their fezes, mock the truculence of their white commanding officers, and laugh them off the stage. It is a compelling human moment in a play steeped in ritual and recitation in the confrontation between ruler and ruled in British Africa in 1943.

The play is based on a true incident in which the British tried to stop the Yoruba's age-old custom of having subordinates kill themselves to accompany dead kings on their last journey. Singled out for special praise when Soyinka won the Nobel Prize last year, the play was first produced in Chicago by Gregory Mosher, who used his new position as director of Lincoln Centre to invite the playwright to present it in New York.

The production is most moving around the edges of the confrontation, as in the market when men make music with large rhythmic drums and women dance across the stage. The conflict pits stereotyped colonial officers against a cheerful Elesin who, in Earle Hyman's interpretation, takes his own death less seriously than his adversaries do. Eriq La Salle as Elesin's oldest son Olunde provides a noble and sympathetic embodiment of the warnings on cultural interference.

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Opera and Ballet

WEST GERMANY

Hamburg, Staatsoper: *Die Leiden des jungen Werthers*, by young German composer Hans-Jürgen von Bose, has Francois Le Roux, Hildegard Hartwig, Albert Domen, Heinz Kruse and David Knutson in the main parts. Elektra stars Christa Ludwig, Gwyneth Jones, Johanna Meier and Hans Sptin. Le Nozze di Figaro is a joint project between Hamburg and Salzburg – Mozarteum.

Frankfurt, Opera: *Benjamin Luxon* repeats his performance in the title role of Eugen Onegin. Der Freischütz is an event of more than passing interest with Beatrice Niehoff, Susan Roberts, Walter Raffeiner and Manfred Schenk. Der Rosenkavalier, offered for the last time this season, features Helena Doese, Gail Gilmore and Aage Haugland. Also in the repertory: Le Nozze di Figaro and La Boheme.

Cologne, Opera: Tannhäuser, produced by Ernst Poettgen will have its premiere this week. The cast is led by Nadine Secunde, Matthias Hölle, Klaus König, Wolfgang Dendel, Josef Protschka and Ulrich Hielscher. Elektra has a particulary strong cast with Helga Dernesch, Janis Martin, Nadine Secunde, Udo Holdorf and Harald Stamm. Also in the same week Der Barbier von Sevilla.

München, Bayerische Staatsoper: Don Carlos features Mara Zampieri, Bruna Baglioni, Jewgenij Nesterenko, Giacomo Aragall and Piero Cappuccilli. Das Rheingold, produced by Nikolaus Lehnhoff, will have its premiere this week. The main parts are sung by Marjana Lipovsek, Nadine Secunde, Hanna Schwarz, Josef Hopferwieser, Jan Hendrik Rootering and Kurt Moll. Also Madame Butterfly, sung in Italian, with Raina Kabaivanska, Godrun Wewezow and Thomas Woodman.

LONDON

Royal Opera, Covent Garden: The revival of Jean-Louis Martinoty's distressingly over-fussy Ariadne auf Naxos brings back Ann Murray as the Composer, and introduces to London Anna Tomowa-Sintow's Ariadne, Edita Gruberova's Zerbinetta, and William Johns's Bacchus. Colin Davis, returning to the house of which he was until recently musical director, is the conductor.

English National Opera Coliseum: Jonathan Miller's updating of Tosca to the final phase of Mussolini's Fascist rule in Italy is one of his least successful ENO productions. Phyllis Cannan now takes the title role, and Albert Rosen conducts. Another Miller reworking, the non-Japanese Mikado, is a much happier show – the whole company plays with great zest, and in leading roles Ann Howard, Susan Bullock, Bonaventura Bottone and Eric Idle (Ko-Ko) are wonderfully engaging.

PARIS

Bellini's I Puritani: The Welsh National Opera's production sets the romantic action against a background of fortifications, and towers which evoke the feeling of danger, thus making Elvira's folly credible. Opéra Comique (42960611)

Don Giovanni conducted by Sylvain Cambreling in Brussels National Opera production with Jose van Dam, Ashley Putnam and Stuart Burrows. TMP-Châtelet. (423300)

Cinderella alternates with l'Elisir d'Amore with Don Carlo conducted by Lothar Zagrosek with Bruno Beccaria/Taro Ichihara in the title role with Daniela Dessi as Elisabeth de Valois and Grace Bumbry as Princess Eboli. Paris Opera (42665022)

Ballet Moiseiev celebrates its 50th anniversary with a suite of old Russian dances – partisan fighters, a day on a boat, a winter celebration. Palais des Congres (47420744)

ITALY

Milan: Teatro alla Scala: Un Ballo in Maschera conducted by Gianandrea Gavazzeni and directed by Sandro Sequi, with scenery and costumes by Giuseppe Crisolini Malatesta. (809126).

Rome: Teatro dell'Opera: Macbeth, with Renato Bruson in the title role and Shirley Verrett as Lady Macbeth. Giuseppe Patane conducts and Giorgio Pressburger directs; Don Carlo directed by Alberto Fassini (based on Luchino Visconti's production) and conducted by Gustav Kuhn. The cast includes Katia Ricciarelli, Renato Bruson and Luis Lima. (461755).

Genova: Teatro Margherita: The 1983 Pesaro Festival production of Il Turco in Italia conducted by Peter Maag with Luciana Serra, Enzo Dara and Alessandro Corbelli (589329).

Bologna: Teatro Comunale: Fidelio, conducted by Rolf Reuter and directed by Filippo Sanjust, who also designed the scenery and costumes. The cast includes Ingrid Hanbold, Erich Knodt and Reiner Goldberg. (529999).

Palermo: Politeama Garibaldi: Faust conducted by Reynald Giovaninetti, with Cristina Rubin, Helene Perraguini and David Rendall. (584334).

Trieste: Teatro Comunale Giuseppe Verdi: La Fiamma conducted by Maurizio Arena and directed by Carlo Maestrini. (631948).

NETHERLANDS

Amsterdam, Muziektheater. The Barber of Seville from the Netherlands Opera, directed and designed by Dario Fo, with the Netherlands Philharmonic conducted by Richard Buckley. Zehava Gal (Rosina), Frank Lopardo (Almaviva), and J. Patrick Raftery (Figaro) (Mon, Wed). The Netherlands Opera production of Der Rosenkavalier by Richard Strauss directed by John Cox. Hartmut Haenchen conducting the Rotterdam Philharmonic, with Rachel Yakar, John Tomlinson, Susan Quittmeyer and Derek Hammond Stroud (Tue) (255455).

Scheveningen, Circus Theatre. The Royal Ballet of Flanders with The Idiot (Panov/Shostakovich) (Mon, Tue). The Nederlands Dans Theater with Frankenstein (Kylian/Gruberk), Wiegelied (Kylian/Berg) and Uccelli (Dusto/Respighi) (Thur). (558800).

Eindhoven, Schouwburg. The Nederlands Dans Theater with Frankenstein (Kylian/Gruber), Wiegelied (Kylian/Berg) and Uccelli (Dusto/Respighi) (Wed). (111122).

Modern American dance performed by Bill T. Jones/Arnie Zane & Co. Mon and Tue in Amsterdam, Carré (225225), Wed in Heerlen, Schouwburg (716667), Thur in The Hague, Koninklijke Schouwburg (469450).

NEW YORK

Metropolitan Opera (Opera House): The week features Turandot conducted by James Levine in Franco Zeffirelli's production with Eva Marton, Placido Domingo and John Macurdy; Boris Godunov conducted by James Conlon in August Everding's production with Stefka Mineva, Martti Talvela, Paul Plishka and Sergei Koptchak; Carmen conducted by James Levine in Sir Peter Hall's production with Agnes Baltsa, Gabriela Benackova and Samuel Ramey; and Manon conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano, Neil Shicoff, David Holloway and Spiro Malas. Lincoln Center. (362 6000).

Saleroom/Antony Thorncroft

Watercolours boom time

The current boom in English watercolours continues unabated. Sotheby yesterday topped the £1m mark in this sector for the first time, bringing in £1,160,027 for 177 lots, with less than 3 per cent unsold. There were many artist auction records, not least the £81,400 paid by the London dealer Mark Gregory for a view of Durham Cathedral by Thomas Girtin, probably painted by the artist in 1799.

Gregory was a busy buyer, creating two more auction records with the £33,000 he invested in a view of the Villa Medici in Rome by Francis Towne, and the £31,900 which secured a view of the New Bank in Bath by Thomas Malton Jnr: this topographical view carried a top estimate of £6,000.

Agnew also set a record with the £62,700 it paid for a view of shipping off Calais by Richard Bonnington, perhaps best known for his early death at the age of 26. Bonnington was fond of the subject and a similar watercolour sold at Christie's in 1976 for £16,000. Another artist record was the £31,900 which the London dealer Morton Morris gave for a view of the north terrace at Windsor Castle by Edward Dayes.

W. H. Smith for Jennings

The W. H. Smith Annual Literary Award, worth £4,000, has gone this year to the poetess Elizabeth Jennings. It is given to the work that, in the opinion of the judges, has made the most outstanding contribution to English literature in the past year. Last July Miss Jennings selected "Collected Poems 1953-85" from her own poetry. It is to be published in paperback by Carcanet Press to coincide with the Award.

FINANCIAL TIMES

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Sizewell B at last

THERE IS something slightly quaint about the British Government giving its consent to an application to build a nuclear power station under Section two of the Electric Lighting Act 1909, an Act that was introduced long before nuclear power was discovered. However, that is what Mr Peter Walker, the Energy Secretary, announced in the House of Commons yesterday, and it would be hard to argue effectively that any of the necessary procedures have been bypassed.

Basic factors

The Layfield Report, which examined the application of the Central Electricity Generating Board to build a pressurised water reactor at Sizewell in Suffolk, was the longest public inquiry ever held in this country. It examined every aspect and came down in favour. Even now construction cannot go ahead immediately; the independent Nuclear Installations Inspectorate must first look at the safety elements of the design before granting a licence, though Mr Walker said yesterday that he had been assured that this would take no more than a couple of months and that no obstacles were foreseen.

Layfield, and those who passed judgment on the report, had to take into account three basic factors: environment, cost and safety.

The effect on the environment is always important. Too many ugly constructions have been permitted which should not have been; they may also pollute the surroundings as well as spoil the view. The design for Sizewell B on the whole passed the test, but Mr Walker has gone further than the report and ruled out the CEGB's request to build an access road on the grounds that it might disturb the local community.

Costs were always difficult because energy costs are constantly changing and are impossible accurately to predict in the long term. Layfield concluded that the likely costs were in favour of building Sizewell B. It was the weakest part of the report. Mr Walker said yesterday that since the inquiry was completed, economic activity has risen and with it the demand for electricity. Therefore, he added, Sizewell B was the cheapest option for meeting the anticipated need for new capacity.

That may be stretching it a bit. Sir Frank Layfield, however, rather buried away in his report a much better argument: the case for diversity in electricity supply. Even if Sizewell B does turn out to be somewhat more expensive than alternative generating sources, it may be still worth having because Britain will have mastered the technology and will have nuclear power to fall back on, should other energy costs get out of hand. Subject to safety requirements, that is a compelling case.

The debate about safety changed after the report was completed, not least because of the disaster at the Soviet nuclear power plant in Chernobyl. Yet the lessons of Chernobyl have been studied subsequently, by the Russians themselves as much as anyone else.

On their own admission, the reactor was the wrong design, the engineering was faulty and there were human errors on a massive scale. It is hard to see that Chernobyl has much to do with the Sizewell decision, except to underline — as did the accident at Three Mile Island in the US, where it was a PWR involved — the need to guard against bad engineering and against human mistakes.

Upholding standards

Both Layfield and the Department of Energy seem to have satisfied themselves on this score. The Chief Inspector of Nuclear Installations wrote in a letter, released yesterday, that 25 years ago the Russians had accepted the risk of relying on the operators rather than on automatic systems to avoid errors. The relevance to Britain was simply that all operators must make absolutely certain that nothing is overlooked and that all are aware of the importance of their actions in maintaining safety at all times. There will, of course, be automatic systems as a fall-back, and it is up to the inspectorate, which is recruiting extra staff for the purpose, to see that standards are rigorously upheld.

The challenge now is to industry to show that it can build Sizewell B at cost and on time, a task that it has not always been up to in the past. It can hardly claim that the way has not been assiduously prepared for the development of a new generation of nuclear power stations. Sizewell could be the first of several. Yesterday's announcement is welcome.

Self regulation and the auditor

NOT SO long ago the prospect of increased statutory regulation of accounting matters was anathema to the leaders of the British accountancy profession. Today some of them are not so sure. Just as the Takeover Panel has seen its code become more legalistic and less effective under the pressure of competition in merchant banking, so the various accounting bodies are finding it harder to hold the self-regulatory line, as legalistic interpretations of accounting standards and principles are used to justify questionable practices: The current debate on the treatment of off-balance sheet financing in company accounts illustrates the problem all too well.

Wider interest

There is nothing particularly new about off-balance sheet financing. An obvious example of the practice is leasing, for which the accounting profession has come up with its own standard solution. The concern arises where companies adopt highly artificial corporate structures in which the parent company retains voting control over its off-shoots without the off-shoot satisfying the exact legal definition of a subsidiary. The management of the parent then excludes the borrowings of the off-shoot from the group accounts, thereby reducing the apparent gearing of the group. The auditors subsequently find themselves confronting a battery of legal opinion from respected City firms to justify an apparently misleading set of figures.

To the outsider this may seem rather odd. The auditor is, after all, there to exercise professional judgment on whether the account and balance sheet show a true and fair view. If they are misleading in substance, if not in legal form, why not qualify the audit report?

The auditors' response is that the Companies Act does indeed give them a right to override narrow legal interpretations in the wider interest of truth and fairness. But to qualify the report is to resort to a penal sanction which depends for its effect on minimal use.

If securities markets respond efficiently to information in the way that academics suggest, this is a sound approach. But some auditors argue from experience that the British securities markets are not uniformly efficient across the board. They also acknowledge, in private at least, that competitive pressure in a static auditing market makes it harder to resist the arguments of the clients' lawyers. The result is a difference of view in the accountancy profession as to whether the Companies Act should be amended to introduce a tougher definition of subsidiary companies; or whether the Accounting Standards Committee should adopt a new, fundamental accounting principle that requires the producers of company accounts to give priority to the substance instead of the form of transactions.

The trouble with the self-regulatory approach is that it is far from clear whether the auditor's hand would be strengthened. There is a risk that the floodgates would be opened up from an endless series of debates in which the auditor's clients appealed constantly to "economic reality." The fear that arguments about substance over form might lead to the boundaries of accountancy being pushed unacceptably far recently caused the Department of Trade to take Argyll Group to court on the question of what could be legitimately consolidated in group accounts.

Statutory backing

Equally important, the emphasis on substance over form would not address the fundamental problems that have caused the client-auditor debate to become more legalistic. Self regulation does not pack enough punch to do the job unaided.

If off-balance sheet financing is seriously distorting perceptions about the financial position of more than a modest part of the corporate sector, there is a case for a specific amendment to the Companies Act. Yet ultimately the need is for statutory backing for accounting standards, together with some governmental oversight. This would no doubt be strongly resisted by lawyers, since they would risk losing some of the power they have recently won from the accountants. But it is probably the only way to ensure that the directors who are primarily responsible for producing true and fair accounts pay more than lip serve to the need to tel it like it is.

WORLD TAX REFORM

Another wave of change ahead

By John Plender

TAX reform has become an all-pervasive feature of the industrialised world in the 1980s. Since Mrs Thatcher's Government cut Britain's top marginal rates of income tax at the start of the decade, the bandwaggon has rumbled inevorably through such diverse economies as France and Belgium, West Germany and Sweden, Denmark and Australia.

The process culminated in an ambitious reform in the United States, where the Reagan Administration has presided over a reduction in the effective top marginal rate of income tax to a mere 33 per cent. Even Japan, no slavish adherent to foreign fashions, is now travelling the reformist route, albeit with political upsets. Is there a common thread?

Idealogy has clearly played a part. Both Mrs Thatcher and President Reagan belong to the school which holds that citizens are entitled to keep the lion's share of their earnings even if, as in Britain, the opinion polls suggest that they would cheerfully finance more public works.

Supply side economists have alos exerted influence on policy by reasserting arguments about the disincentive effect of high marginal tax rates on work, savings and investment. In the US the debate has been elevated from economics to the realm of metaphysics, wtih claims that the President's tax cuts will unleash such dynamic forces into the economy that the cuts will pay for themselves in five years as taxable incomes soar—a nostrum that probably guarantees another less populist reform package before the decade is out.

One of the more striking aspects of the global trend, however, is that it cuts across political boundaries. In Australia the Labor Government of Mr Bob Hawke proposed cuts in top income tax rates from 60 per cent to 49 per cent as part of a corporatist deal with the unions in which tax cuts and increased employer contributions to pension funds provided the quid pro quo for cuts in real wages.

New Zealand's Labour Government, in the meantime, cut personal taxes as part of a brave bundle of liberalising measures which included a root-and-branch assault on subsidies, controls and trade barriers. The programme is jocularly known as 'Rogernomics' after Roger Douglas, the Finance Minister.

This suggests that the symbolic importance of high marginal tax rates is lessening, except in countries like Britain where the tax debate is high on rhetorical content. According to Professor Mervyn King of the London School of Economics, changes in marginal tax rates above 50 per cent do not have much redistributive effect, nor any great impact on the exchequer; the more potent force for redistribution is the marginal rate on middle incomes.

That said, the rich in Britain are shouldering an increased share of the tax burden, because their pre-tax incomes have risen disproportionately under Mrs Thatcher. But there is no conclusive evidence to show how far, if at all, this reflects a genuine response to tax-cutting incentives as opposed to, say, a move by British management to improve top pay rates for the same degree of effort and risk in response to a more emollient political climate than in the 1970s.

The argument becomes even more contentious when the top rate plunges from 50 per cent to 33 per cent as in the US. In Professor King's veiw such cuts are unlikely to generate any "efficiency" gain in the shape of additional tax revenues. He will not be popular with supply siders.

It may be that the disincentive effects of high marginal tax rates are exaggerated too. There is certainly no correlation between marginal tax rates and economic growth: Japan and Sweden have very high marginal income tax rates, while Britain, the US and Switzerland have low ones. Nor are low top rates in the US likely to prompt a dramatic brain drain from other developed countries, as Mrs Thatcher fears. Average tax rates are more important for would-be immigrants than marginal rates; and as Mr Bill Robinson, director of Britain's Institute for Fiscal Studies (IFS) points out, tax rates are rather academic when individuals are being seduced by pre-tax incomes that are two or three times more than they earn in the UK.

The novel dimension in all this, argues Robinson, is that there has been a political shift away from redistribution towards efficiency — a shift that reflects the depredations wrought on the tax structure by piecemeal addition of tax allowances and "tax expenditures," such as mortgage interest relief. These have made the tax system less progressive (ie, less Robin Hood-like in arithmetic effect) because higher incomes profit most from tax reliefs. At the same time, the tax base, which is the income available to the tax man, has been eroded because of the avoidance opportunities offered by reliefs in a period when governments have had to finance a growing share of public spending in gross domestic product.

Here, surely, is the most powerful impetus for reform. Politicians of all persuasions have been forced to recognise that their tax systems have ceased to work properly, either in redistributing income and capital, or raising revenue. By the same token, the public debate about incentive and disincentive effects of marginal rates is often based on assumptions that no longer hold.

The financial consequences of creeping erosion can be seen in a recent estimate from Canada's Department of Finance that tax expenditures have narrowed the federal personal income tax base by 10 per cent.

The process can, of course, be rationalised in political terms. To a libertarian like Friedrich Hayek, allowances and tax expenditures are a reflection of a degenerate auction in which rival interest groups share out the spoils grabbed from fellow citizens. Others, such as the American economist Mancur Olson, see in such interest group pressure an explanation for economic sclerosis in the advanced countries.

A more pragmatic rationalisation might be that tax systems have a life cycle. The problem for today's reformers is that the encrustations that have fouled up the system are also the most valuable weapons in the arsenal of political patronage. No doubt that explains why relatively ideological politicians like President Reagan and Mrs Thatcher, who were quick to see a trade-off between cutting high tax rates and abolishing allowances, have not fully dispensed with reliefs for interest payments and pensions contributions.

The real divide is between those politicians who want to have their cake and eat it and those who pay for eye-catching income tax cuts by increasing taxes on consumption or by other means. No marks here for President Reagan, whose recent tax reform was intended to be "revenue neutral" despite the big budget deficit; by contrast Mrs Thatcher has nearly doubled the rate of value-added tax and greatly increased most workers' national insurance since coming to power. Indeed, a recent IFS study estimated that the tax system had increased in severity for the great majority of Britain's working population since 1979.

Though income tax cuts have caught the headlines, a fundamental economic debate still surrounds changes being made in incentives for savings and investment. Some, like Mr Nigel Lawson, the Chancellor of the Exchequer, have dismantled corporation tax systems based on high rates and big allowances that included powerful incentives for investment. Removing the investment subsidy will, it is argued, discourage companies from investing in projects that would otherwise show uneconomic returns. It also dilutes the bias in the tax system in favour of capital intensity at the expense of labour—a key point in view of Britain's high level of unemployment.

A relatively under-explored question is how far these changes will affect real investment returns and national competitiveness in an increasingly interdependent world economy. Now that restrictions on capital flows have been lifted in most of the leading industrialised countries, capital travels swiftly to those economies that offer above average rates of return. It follows that any Government move to subsidise new investment by domestic industry will make a country more attractive to international capital.

Mr David Hale, chief economist of Chicago-based Kemper Financial Services, argues that the expansion of corporate depreciation allowances in the 1981 US tax bill helped increase the post-tax return on industrial investment and thus contributed to an increase in the level of interest rates in the US economy. When the resulting upsurge in new investment outstripped domestic savings, capital was imported from Japan where savings were heavily subsidised.

This, however, led to upward pressure on the dollar, which made the export sector of the US economy less competitive, thereby exacerbating the huge payments imbalance between the two countries.

The American decision in 1986 to reduce depreciation allowances, together with the Japanese attempt this year to introduce a withholding tax on interest income, could now affect their respective capital flows in a different direction. Forecasters of the Organisation for Economic Cooperation and Development (OECD) argue, for example, that the US tax reform could cut two or three points off real interest rates, which would make the US a less attractive home for foreign savings and the budget deficit more costly to finance. How the Japanese react to a tax induced cut in the return on their savings is less easy to fathom.

In small open economies, policymakers have long been aware that tax changes can affect economic relations with their trading partners. The impact is particularly striking where a single trading partner plays a disproportionately large role: Canada, for one, is highly sensitive to the way the interaction of tax policies affects the flow of capital, people, plant and machinery across its border with the US.

Where the trading pattern is more widely dispersed, as in Britain, the effect of a change in corporation tax on capital flows is inevitably harder to identify. Moreover, tax changes are only one factor among many in influencing the movement of funds across the exchanges. Yet Mr Hale and Professor King are both convinced that capital mobility will bring pressure for greater convergence in national tax policies. Where the US and Japan are concerned, the case seems irrefutable.

How long before the next tax upheaval? Since many of the reformers have removed inflation-proofing from their tax systems, any upturn in inflation might spark off another round. And those countries that have overhauled the structure without addressing more fundamental problems of low savings ratios and big budget deficits will have to think again. In their case reform will have a rather different connotation — a euphemism, in fact, for hefty tax increases.

Capital mobility will bring pressure for convergence in national tax policies

FIVE DIFFERENT APPROACHES

Britain
Incoming Conservative government reduces top marginal rate of income tax from 83 per cent (or 98 per cent if investment income surcharge is included) to 60 per cent in 1979. Value added tax raised to 15 per cent from a two-tier system of 8 and 12.5 per cent in 1979. Phased cuts in corporation tax from 52 per cent to 35 per cent, while allowances cut. Chancellor attacks some tax expenditures like life assurance relief, retreats from vociferous lobbies on others, such as pensions; wants "prudent" move to 25 per cent basic rate.

US
Top personal tax rates cut from 70 to 50 per cent in first Reagan Administration, then to 28 per cent last year (in effect 33 per cent after phasing out exemptions for higher incomes). Reforms in 1986 financed by cutting corporate allowances and personal tax breaks. Heavier tax on capital gains. Burden on low income households reduced proportionately more than on higher earners who lose tax shelters.

Japan
Top income tax rate to come down from 85 per cent to 65 per cent. Sharp cuts planned in corporate tax rates, while allowances curtailed. Withholding tax on interest from postal savings and bank deposits to be introduced at 20 per cent. Loss from income tax and corporation tax cuts to be made up from withholding tax and politically controversial 5 per cent value added tax. Intended to encourage adjustment to recent exchange rate shocks and stimulate demand for housing and capital goods.

W. Germany
Top rate of income tax down from 56 to 53 per cent in response to clamour from Free Democrats; minimum tax rates reduced from 22 to 19 per cent. Corporation tax reduced from 56 to 50 per cent, with cuts financed by curbs on subsidies and allowances.

France
Tax rate on highest income band to be reduced from 65 to 58 per cent; reliefs for lower income groups and abolition of wealth tax. Corporation tax to come down from 50 per cent to 42 per cent by 1988.

Men and Matters

A day's shooting

An unofficial move towards Russian-Western detente was made in London yesterday when Novosti, the Soviet state publishing agency, signed a deal with the British publishers William Collins.

The companies have agreed on joint publication of A Day in the Life of the Soviet Union, a book of photographs which will be taken throughout the USSR on May 15 by 50 western and 50 Soviet photographers.

Negotiations on the book have been going on since 1984. David Cohen, president of Collins' US company, and editor of the Day in the Life series, said, "It's taken three years and three Soviet general secretaries. Finally we got the right one. It couldn't have happened under anyone but Gorbachev."

Alexei Pushkov, chairman of Novosti, said "The book will be a contribution to make people of different countries know much more about each other."

Each photographer will be accompanied by a guide. But all film will be taken, unprocessed and unvetted, to Europe for printing.

The book will be published in November in Russia and the west simultaneously to coincide with the 70th anniversary of the Russian Revolution.

Fringe benefits

With Nahum Vaskevitch, head of mergers and acquisitions in the London office of Merrill Lynch, newly suspended following an accusation of insider trading, I notice the office is trying to hire itself a Benefits Officer.

He, or she, will be a specialist in putting together and administering a package of staff rewards additional to basic salaries — including pension, assurance, and sick funds, company car schemes, and sporting and social facilities.

As Merrill Lynch puts it, "We aim to reward our staff with one of the most attractive and comprehensive benefits packages anywhere."

While traders estimate Vaskevitch has been on £300,000 a year, a benefits officer comes a lot cheaper. The starting salary is, "around £14,000."

Sporting life

Governor Bill Clements of Texas, elected to office only last November, is already facing a damaging scandal. The subject concerns that all-consuming passion, American football.

For the past month a drama has been unfolding on the campus of the Southern Methodist University in Texas where, it was discovered, college football players were receiving large sums of money to boost their performance on the field. The national collegiate athletic association promptly cancelled the university's 1987 season—a crippling and humiliating blow both to the ball-players and their alma mater.

Last week it was disclosed that Clements, while chairman of the university's board of governors in 1985, had known and approved of the payments to players who had been recruited earlier with promises of covert financial assistance.

The scandal has revived a furious debate about how the American education system is being corrupted by attitudes which put sport first, and academic study second. A further concern is how rich businessmen are using the system to compete with each other in recruiting gifted young sportsmen to their respective universities.

As for Clements, he has apologised for authorising the payments to students saying that the university is "a victim of a system we should have stopped immediately."

What he failed to mention was that his opponent in the last bruising race for the governor's seat highligted education as one of his main campaing themes.

"We only do money"

Lord's libation

An incident which momentarily shattered the customary calm of the House of Lords was the talking point in the Bishops' Bar and other noble refreshment areas yesterday.

Towards the end of the otherwise even tempered debate on manufacturing industry, Lord Lucas of Chilworth, Under Secretary for Trade and Industry, managed to upset Lord Aldington, a leading Tory backbench peer and former minister, so much that he stalked out of the Chamber in disgust.

Aldington is chairman of the Lords Select Committee on Overseas Trade whose 1985 report on the parlous state of the manufacturing sector was strongly resented by Chancellor Nigel Lawson and other senior members of the Cabinet. Aldington insisted that the passage of 15 months had not provided any cause for second thoughts.

Lucas questioned whether the Commitee would have remained "so despondent," and refused to yield the floor to allow Aldington to respond. Exit Aldington protesting against "phoney remarks"; with Viscount Whitelaw, the leader of the House, semaphoring the nearest Government whip to apply the appropriate soothing libation.

Storm brewing

More than mere froth, I suspect, the defiance of the telegram delivered to the European Court of Justice in Luxembourg on the eve of its decision that West Germany's beer purity laws of 1516 could not be used to keep foreign beers out of the country.

The message, signed "Schwelm brewery," came from a small town in Westphalia. "You can announce whatever you have decided on March 12 at 9.30 am," it read. "We will not have any adulterated beer in our cellars in the future, as in the past.

"We still believe in the tradition of 'pure and mature.'"

Wise precaution

Typed notices of meetings received by a member of a Hampshire women's club: "Speakers for Thursday, March 12. Mrs Watson: Home-made wines. Mrs Burge: What to do until the doctor arrives."

Observer

هكذا من الأصل

Source: Centers for Disease Control

The rate at which the disease is spreading has slowed...

Date	*Doubling time in the US (Months)
September 1981	
January 1982	5
June 1982	6
December 1982	6
July 1983	7
February 1984	8
December 1984	9
October 1985	11
December 1986	13

* Length of time required for number of cases to double

...and cases are still heavily concentrated among high-risk groups

ADLTS/ADOLESCENTS	Cases	(%)	Deaths	(%)
	CUMULATIVE CASES AND DEATHS SINCE JUNE 1981			
Homosexual/Bisexual Male	20,593	(65.6)	11,578	(63.9)
Intravenous (IV) Drug Abuser	5,312	(16.9)	3,227	(17.8)
Homosexual Male and IV Drug Abuser	2,426	(7.7)	1,437	(7.9)
Hemophilia/Coagulation Disorder	263	(0.8)	157	(0.9)
Heterosexual Cases*	1,180	(3.8)	677	(3.7)
Transfusion, Blood/Components	598	(1.9)	418	(2.3)
Undetermined	1,009	(3.2)	611	(3.4)
Total	31,381	(100.0)	18,105	(100.0)

* Includes persons born in countries where hetrosexual transmission is believed to play a major role (eg Haiti)

AIDS: it may not be too late

Tony Jackson finds a surprising optimism about the disease — in the developed world at least

THE AIDS epidemic is soberly described on both sides of the Atlantic as one of the gravest threats to public health this century. There are other voices which talk less soberly. AIDS, they say, is the modern version of the black death. It is the biggest threat ever faced by mankind.

How seriously is this to be taken? That depends above all on a further question—how far the disease is moving from high-risk groups to the general population. The best place to pose that question is in the country with much the best data on AIDS, the US. The answer from there is beginning to sound surprisingly optimistic.

US victims are officially expected to number 270,000 by the end of 1991, compared with a total to date of just under 32,000 (the UK total is 731). Dreadful though the projected figure is, it would represent a marked slowing in the rate of increase.

This is already happening. Five years ago, the number of US victims was doubling every five months. By the end of 1984 it was every nine months; by last December, every 13 months (The UK figure is still 10 months).

At the US Government's Centers for Disease Control (CDC) in Atlanta, where these figures are calculated—and where the existence of the disease was first established — researchers such as Dr Harold Jaffe, head of epidemiology for the CDC's AIDS programme, mull over the significance of this.

"The slowing depends on several factors," says Dr Jaffe. "First, the rate at which newly infected people are being added. Second, the rate at which infected people are becoming ill.

"There are reasons to think the rate at which new people are being added is slowing. We know that gay men have dramatically changed their behaviour, and that in certain populations — in parts of San Francisco, for instance — saturation point has been reached.

"On the second point, we don't really know what the curve of conversion looks like. But of the 270,000 cases projected by end-1991, we estimate that around 75 per cent will be among those already infected, with the other 25 per cent being those who become infected between now and then. So most of what we see happening by 1991 is probably unavoidable."

By the same token, those now developing AIDS largely represent the sexual habits of the past. Dr Scott Holmberg, a colleague of Jaffe's, says "we think the mean incubation period of the virus is around five years, but we keep increasing it as time goes on. We originally thought two or three years, but some recent modelling would put it at seven to eight years, which takes us back to before the disease was known to exist. Even five years takes us back to the first identification of the disease as a rare condition of homosexual men in San Francisco."

The CDC possesses a remarkable body of data which shows the scale of the tragedy. In the late 1970s, blood samples were taken from 6,700 male homosexuals in San Francisco in the course of a study of another viral disease common among homosexuals, hepatitis B The samples were kept and have since been analysed for AIDS antibodies, and the history of many of the donors has been followed up.

"In 1978," says Dr Jaffe, "only between 2 per cent and 3 per cent were antibody positive. Now it's around 72 per cent." Of those infected in 1978, only one man has not yet developed the disease.

It is scarcely surprising that gay men have changed their habits so dramatically. In New York and San Francisco, says Jaffe, the incidence of rectal gonorrhea and syphilis—two reliable indicators of unprotected sexual activity—are down by as much as 85 per cent since 1980.

The problem may have moved elsewhere. At the Whitman-Walker clinic in Washington, DC, a voluntary gay centre for AIDS victims, one of the workers says "with a lot of the rest of the community, there's an unspoken assumption that you're not at risk unless you're a male homosexual — and a white male homosexual at that. I work with drug abusers, and they'll often say 'I'm OK, I don't shoot up with homosexuals. You have to explain to them it's not like that."

Another problem population, says Dr Holmberg, is bisexual men. "We find, for example, that they make up an undue proportion of seropositives donating blood. The particular problem is that it's almost impossible to get public health information to them—there's no mechanism. They're not enrolled in treatment programmes, and they don't go to bisexual bars."

But what of heterosexuals? They make up just 2 per cent of US AIDS cases at present, a proportion which is expected to double by 1991. Are they behaving sensibly?

In the clinical language of its Morbidity and Mortality Weekly Report, the CDC reported last November on the activities of two "swing clubs" in St Paul, Minnesota, whose 285 members met regularly for promiscuous sex. Asked if they saw themselves as being at increased risk of AIDS, three-quarters said no. It then transpired that one member of each was carrying the virus, and both hurriedly disbanded.

"You get some very smug heterosexual audiences," says Paul, one of the volunteers at the Whitman-Walker clinic. "You have to set them back. I say to them 'have you been in a monogamous relationship for the past ten years, where you can guarantee the same for the other side?' At that point, most of them start to laugh. They're the ones at risk."

Nor is there any evidence, say CDC researchers, of anything like the same reduction in venereal disease among heterosexuals as among homosexuals. Yet the evidence continues to point to low rates of AIDS infection.

Particularly striking is a still unpublished CDC study from New York, the city with not only the highest number of AIDS victims—over 9,000—but also now the highest incidence, at one case per 1,010 population (San Francisco has one per 1,035).

"We are doing an intensive study," Dr Holmberg says, "of heterosexuals attending an STD (sexually transferrable diseases) clinic in Queens. A preliminary investigation of around 200 men who are attending for other diseases has failed to find the AIDS virus in any of them.

"These are sexually active heterosexuals with no other risk factors, in a highly endemic area for AIDS, who generally have a lifetime history of more sexual partners than most of the population. Yet we're still seeing low rates of infection."

Again, the US Army has for the past 16 months been testing recruits for AIDS, and the incidence has stayed constant throughout at 0.15 per cent. This is despite the fact that, as Dr Holmberg says, "military recruits are mostly young men, and they tend to be from racial minorities, where the risk is between eight times and 23 times that for the white population."

The mention of minorities, though, is a sharp reminder against complacency. A CDC study last October showed that of all heterosexual AIDS sufferers in the US, three-quarters were black or Hispanic. Most lived in highly infected areas like New York and New Jersey, and half of those were intravenous drug users.

In other words, sufferers are coming to be concentrated in areas outside the mainstream of American society. AIDS would not be the first preventable disease — preventable in the sense that its mode of transmission is known—to end up picking its victims from among the Third World and the urban poor; indeed, in the worst afflicted parts of Africa the level of infection among the general population makes the problem much more severe.

That depressing thought aside, the wider prognosis for the developed world remains optimistic. "We're all worried about heterosexual transmission, but some very early and preliminary data from screening of military recruits, hospital admissions and STD clinic attendees indicate that it may not be too late to stop things in the heterosexual community," says Dr Holmberg.

With, admittedly, one important caveat. "Though we have pretty good epidemiological information about AIDS, and good biological and immunological information, it's amazing how often we run into questions about basic behaviour in this country that we don't have the answers to. How many married people have affairs, and how many affairs? And are they still having them? How many American men use prostitutes? How many prostitutes are there? How many homosexuals?

"You ask agencies around the country and you get different answers, and most would admit they're guessing. But at least a heterosexual man having an affair now is in a very different position from a gay man in a bathhouse in San Francisco in 1980."

This still leaves the very puzzling question of why, if at least some of the heterosexual population are still indulging in unprotected promiscuity, they are not suffering as the homosexual population did in the early stages of the epidemic. But it is a question which many researchers, weary of speculation, are coming to regard as unprofitable.

Too many theories have been tried and abandoned—the use of nitrites by homosexuals as a stimulant, infection through hepatitis B vaccine, transmission through anal rather than vaginal intercourse. The question is one of a number about the disease—where it came from, when it first appeared—of which one researcher says "we don't really know, and we don't really care any more. What is important is what we do now."

Lombard

Importance of round figures

By Malcolm Rutherford

RARELY can a British Chancellor have been in such a favourable position as Mr Nigel Lawson as he puts the finishing touches to his Budget speech next Tuesday. Only the example of R A. Butler in 1955 comes to mind. Mr Butler cut sixpence off income tax, raised personal allowances, reduced the purchase tax on Lancashire textiles and was still left with the prospect of a Budget surplus of £150m.

The Conservatives went on to win the general election with an increased majority—the first time that had happened to a party in office for 90 years. But since the Chancellor was then obliged to introduce another Budget in the autumn, raising purchase tax all round and cutting local authority spending, that is not perhaps the happiest of comparisons.

Mr Lawson need have no such fears: the scope for tax cuts is there, as well as for reducing the public sector borrowing requirement. A further fall in interest rates may be in the offing. It is a most unusual development in Britain that a Budget can be anticipated with pleasure rather than with pain.

There is a lot of politics in it, of course. The Chancellor would be wise to make a virtue of that. It will be not so much a reforming Budget as an affordable bonanza. But what Mr Lawson could do is to make the tax cuts now and promise the reforms later. In so doing he should recognise the importance of round figures.

Sir Geoffrey Howe, when he was Chancellor, said that despite the initial impact on inflation, the raising of the value added tax to 15 per cent was worth it because for a long time to come nobody would want to change it again. The figure was round, calculable and convenient; far better than (say) 13½ per cent or any minor variant either side of 15.

It is the same with the standard rate of income tax today. The Conservatives — and none more than Mr Lawson himself — have long wanted to cut it to 25p. It is at present 29p. Until recently it would have been thought quite an achievement to go up to 27p. By now, there is clearly room to go the whole way.

One assumes that 26p is out because it is so manifestly not a round figure and would draw attention to falling short of the target, whereas 27p could be presented as a mark of prudence: the Chancellor could say that he would have liked to have gone to 25p, but the circumstances did not yet warrant it. In such a way, he might win plaudits for his caution.

The choice is political. A conservative with a small "c" would go for 27p and argue: vote for us because if we go in this responsible fashion, there may be more to come next time.

A radical would recognise that such felicitous circumstances arise very seldom and would go for 25p straightaway. And an intelligent radical would recognise something else. Once you are down to 25p, it is a round figure. Nobody easily is going to start messing about with it, at least if the same government remains in office.

The highly intelligent radical would go further and acknowledge that the way was then free to get on with tax reform: simplification of the system and the linking of tax and benefits. No more old-style Budgets.

The same argument could apply to the top rate of income tax, which Mrs Thatcher has long regretted not bringing down to 50p in the first place. Sir Geoffrey reduced it from 83p to 60p, where it still stands. It would not cost very much to go to 50p, but it might drive some puritan Tory voters into the arms of the Alliance, so the political case is probably for prudence this time.

Yet the general drift should be clear. The best place for Mr Lawson in Government is the Treasury. The idea that he should be shifted to the Foreign Office as a reward after the election is ridiculous. He does not even much like abroad. Mr Douglas Hurd would be a far better Foreign Secretary and has spent much of his life preparing for it. Mr Lawson should cut taxes now, remain as Chancellor, then get on with the business of tax reform.

Letters to the Editor

Arms and the ministry

From the Director, Society of British Aerospace Companies

Sir,—May I comment on your editorial "Arms and the Ministry" (March 10). I was encouraged that you chose not to support the sceptics Hartley, Husshain and Smith over the employment and profitability benefits to this country of our defence industry. I am however concerned over your conclusion that HMG, in reaching its decision on Westland, should keep considerations of defence quite separate from general economic and industrial policy.

It surely cannot be refuted that our defence industry is an extremely important, and indeed extremely successful, part of our manufacturing sector. Defence industry turnover of £10bn annually and 400,000 workers employed in defence related fields are of vital significance to us all. It cannot have gone unnoticed, even by academics like Keith Hartley, that for the past two centuries the source of this nation's wealth has been its industrial base. Yet in the last six years manuacturing trade as a whole has dropped from a £5m surplus to a £7.5bn deficit. As our future oil revenues decline this nation is going to look to manufacturing to sustain it — I do not suggest that we can ever expect, or would seek, a revival of the old smoke stack factories. It is the high technology, innovative intensive industries which will restore Britain's fortunes and it is these industries which should be able to expect HMG's support.

The defence sector of our manufacturing industrial base is for the most part high tech, high value added and relatively labour intensive. Last year our aerospace industry by exporting £4.75bn worth of its products earned this country the princely sum of £2bn. Well over half of those products were defence related.

Hartley and his colleagues ignore two facts of life. To be able to purchase defence equipments from overseas suppliers, even if those equipments are initially marginally cheaper than those produced here, this country first has to earn the cash to make those purchases. But when we manufacture our own weapons the nation saves this hard earned currency. Currently, the MoD spends some £8bn annually to equip our armed services. It spends most of this in the UK. Were this equipment to be purchased overseas £8bn would be added to our already awful manufacturing trade deficit while another 400,000 would be looking for work. Defence manufacturing is part of the fabric of our economy.

Of course, there will be occasions when HMG will have no alternative but to purchase some specialised defence equipment from overseas but, as an advanced industrial nation, we can manufacture the bulk of our own defence equipment needs and it is greatly to our benefit to do so.

This brings me to the Westland question. Westland is, perhaps, only a relatively small part of our defence industrial base. Nonetheless, it is an important part and a centre of high technology and innovation. It cannot be in this nation's best interests to allow our entire helicopter design capability to be eroded to the point where we have none at all. Westland is not only important to the west country's economy, it is important to this nation's future.

(Sir) John Curtiss.
29 King Street, SW1.

Westland and the Market

From Mr P. Wills.

Sir, — The report of the House of Commons Select Committee on Westland contains the following recommendation: "We consider that the public interest demands a high degree of transparency in share dealings involving a public limited company and this, of course, is especially so in the case of a company involved in defence contracts. The Westland case has demonstrated the inadequacy of the Stock Exchange rules to deal with this matter effectively and accordingly we recommend that the Government should introduce early legislation to require prompt disclosure of the identity of those controlling the voting rights in the shares".

Understandably, the media have interpreted this as a criticism of the Stock Exchange. If that is what the select committe intended, it is unfair.

In evidence to the select committee, we took considerable pains to point out that the Stock Exchange was responsible particularly for ensuring that companies complied with the provisions of the Yellow Book. It has not the authority, nor does it wish to take it, to administer either the law, or those powers which should rightfully be exercised by the Department of Trade and Industry under the Companies Acts. Stock Exchange rules do not cover the matter of nominee shareholders, because they cannot.

The Stock Exchange has recommended that Parliament should consider a change in the law. It is a matter of regret that the select committee should make the implied criticism that the Stock Exchange rules are "inadequate." It is not for the Stock Exchange to usurp the function of the legislature.

P. G. B. Wills,
Sheppards Moneybrokers,
20 Gresham Street EC2.

Set-aside land

From the Director of Studies, Trade Policy Research Centre

Sir,—I have noted with interest the correspondence that is developing (March 5 and 10) on the amounts that would have to be paid to farmers to persuade them to set aside land from current production.

Before we proceed too far with discussion of the technicalities of such a programme, might some consideration be given to the principle? Governments first provide what almost all admit to be an excessively generous incentive for production. Then, apparently, they consider providing an incentive for not exploiting the first incentive.

Was Mr Scargill's only misfortune that coal was grown a hundred million years or so ago? Otherwise, there might have been serious attention to a demand for indefinite "set-aside" payments to miners in return for their agreement not to produce surplus coal.

What is it about agriculture that makes apparently rational people contemplate such ideas with anything other than ridicule?

Martin Wolf.
I, Gough Square EC4.

EEC budget crisis

From the Executive Director Irish Council of the European Movement.

Sir, — Your recommendation (March 11) for what is required to tackle the budget crisis in the EEC ignores three important but relevant facts.

Reform of the CAP is a painful and politically difficult process for most states (less so for the UK?) and the efforts of farm ministers to take appropriate and often harsh measures are commendable. More is needed and more will be done. Agriculture, however, is part of the economic and social fabric of society in many regions of the Community. Any precipitate action would have disastrous consequences for that society. That is why farmers whose livelihoods are threatened by CAP reform are entitled to some form of assistance to help them readapt to new, less generous market conditions. After all, that is what Community solidarity is all about.

Development of genuine common policies of which there has really only been one so far — the CAP — cannot be undertaken without an acceptable level of funding. In that context, the Commission proposal to double the volume of resources for the so-called structural funds corresponds to a genuine need on the part of the less prosperous regions to develop their economic and social potential so that they too can benefit from the advantages of the internal market. Free market forces have a habit of passing the peripheral areas by!

Your appeal for a more modest increase in the Community's financial resources is surely going to lead us back in a year's time to the point we are at now. I do not think it is unreasonable for any large organisation and particularly one as unique and complex as the Community to aim for a minimum degree of budgetary security over a longer period. One of the main causes of recent Community inertia has been the inordinate amount of time spent on internal budgetary wrangles. Surely the Commission proposal for a new ceiling equivalent to 2.1 per cent of VAT by 1992 is not outlandish given the new policy objectives enshrined in the Single European Act.

Michael Hoey,
32 Nassau Street,
Dublin 2.

Electors of Greenwich

From the National Secretary, Social Democratic Party

Sir, — Mr Guebenlian (March 6) clearly has not talked to any of the electors of Greenwich who voted Conservative in 1983.

Many of them decided to vote for Rosie Barnes before the tactical voting issue was raised in the later stages of the campaign. Even the earliest opinion polls conducted in the seat showed that the Tories began the campaign with a level of support well below that of 1983.

The reason for this is that many erstwhile Conservatives were fed up with the deterioration of health, welfare and education provisions in Greenwich and with the rising crime and urban decline which was all about them.

These wider social concerns now threaten the Tory vote in all seats at the next election.

Richard Newby,
4 Cowley Street, SW1.

FINANCIAL TIMES

Friday March 13 1987

Lionel Barber reports on a controversial jobs programme in America's backyard

Seeking a soft landing in Mexico

MR GARY JACOBS, the trim, silver-haired Texan president of Laredo National Bank, tapped his cigar on the dashboard and pointed out of the truck window.

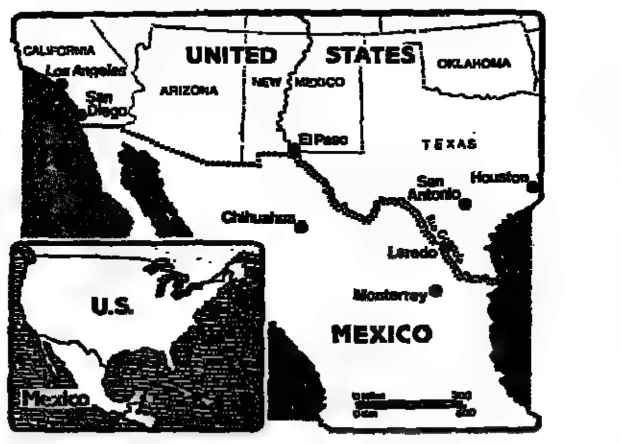
The shanty town stretched for at least half a mile: a straggly line of flimsy shacks held together by wooden planks, corrugated sheet roofs and a few judiciously placed rocks.

"We call the people who live there the *paracaidistas*", said Mr Jacobs, "the people who drop out of the sky."

We were lurching along a potholed road in Nuevo Laredo, a couple of miles from the Rio Grande, on the Mexican side of the border. Since 1982 and the collapse of the peso, Mr Jacobs reckons 75,000 paracaidistas have landed in Nuevo Laredo, swelling the population to 450,000 and creating a pressure cooker atmosphere uncomfortably close to its sister town in Laredo, Texas.

In these depressing surroundings an experiment in job creation is starting to unfold. Some say it amounts to encouraging multinational companies to exploit cheap Mexican labour at the expense of American jobs. Supporters argue it is sound economic and social policy; the chance to entice big business away from the Pacific basin and into America's backyard, preserving jobs in the long term and creating a safety valve for the frustrations of the Mexican people.

The experiment is called the *maquiladora*, or twin plant programme. Its origins lie in the duty-free treatment accorded under the US tariff code to raw materials, components and machinery entering Mexico from the US. These are delivered to factories in Mexico, and, at a later date, the assembled or manufactured goods are exported to the US with duty paid only on the value added.



Maquiladora imports into the US in 1985 amounted to $5.4bn, according to the Commerce Department. About $2.5bn of goods were eligible for duty, which means $3bn of components and materials were sent from the US duty free into Mexico. Natural gas prices, at between 70 cents and $1.58 a gallon, are less than one-fifth as high as in the US.

The maquiladora programme has prospered quietly for at least 15 years on both sides of the border. In Juarez, a Mexican neighbour of El Paso, 86,000 jobs have sprung up with the arrival of big players such as Sony, Motorola, General Motors and Chrysler. In El Paso – where the unemployment rate is between 9 and 12 per cent – the maquilas account directly, and indirectly, for about 20,000 jobs.

What is new is the way the maquila concept is catching on fast elsewhere along the border. In Nuevo Laredo, between 4,000 and 8,000 Mexicans work in the maquilas. General Motors has set up a ceramics factory. Ford has built a highly sophisticated stamping plant making catalytic converters, and CMI International will shortly start up a new aluminium casting factory. All three are taking advantage of cheap labour and lower natural gas prices, Mr Jacobs says.

But the competitive edge on costs has begun to put organised labour on the alert, and northern members of Congress representing the run-down manufacturing areas fear that the maquilas are accelerating the steady drift south of unskilled and semi-skilled jobs out of the US economy.

Some US academics go further. Professor Jeff Brannon at the University of Texas business and finance department in El Paso said: "In some cases the maquilas are just a fast buck operation. They are not a long-term strategy for dealing with the regions. You don't get anywhere by paying people subsistence wages."

Mr Jacobs, a native of San Antonio who worked for seven years as a banker in El Paso, said Laredo was learning from the mistakes of the early maquila period when most of the low-paid jobs were given to women, exacerbating jealousies in the Mexican community.

"These people who criticise are being short-sighted. They don't realise that the Mexican border plants are going to save the US auto industry from moving to the Pacific basin."

For example, General Motors announced in January that it intended to cut its operating costs by $10bn a year by 1990 and to reduce capital spending in its automotive business by almost $5bn in the next three years – all in an effort to improve its competitive position.

There is longer-term planning, too, behind American backing for the maquilas. Supporters hope that the productivity ratings at the Mexican plants will, eventually, persuade foreign investors to put their main operating headquarters on the US side of the border. Sony has already set up a small operation in Laredo – Mr Jacobs said 150 different Japanese companies have examined the Texas town in the past 12 months (although Europeans have so far stayed away).

Laredo, like other US border towns, needs jobs. The Dallas Federal Reserve Bank, monitoring the region, reckons that the population of 42,000 has an unemployment rate of 16.7 per cent compared with a civilian rate nationally of 6.7 per cent. Mr Jacobs believes it is nearer 20 per cent in Laredo.

Mr Aldo Tattangelo, the local mayor, said: "The maquilas are the future for this town. They give hope to communities on both sides of the border."

Hope is what many Mexicans need at the moment. The new US immigration bill passed by Congress late last year has made it far more difficult for illegal aliens to get work in the US. Heavy federal fines appear to be deterring US employers from taking on illegal Mexican immigrants.

Mr Willie Velasquez, a political consultant in San Antonio, and an expert on Hispanic affairs, says the maquilas are, on balance, a useful safety valve. But they have also served to encourage the Mexican Government to think less nationalistically.

Hard labour behind the grizzly bear's smile

AN EIGHT-FOOT grizzly bear greets the visitor at the entrance of Klineburgers – one of the more offbeat maquiladoras in Texas.

Klineburger taxidermy – established in Washington state in 1937 – branched out in 1985 and 1986 by setting up twin plants in San Antonio, Texas, and Monterey, Mexico. The company's story – if a little exotic – is a good example of how business can exploit the maquila concept.

The San Antonio factory employs five people headed by the foreman Mr Nouri Tajbaksh, an Iranian who says he used to hunt deer with the Shah's brother, Prince Abdul Rezah, in the Chinese Tibet mountains in the 1970s. After the Shah's downfall, Mr Tajbaksh returned to Seattle, where more than 10 years before he first learnt how to stuff – rather than shoot – animals.

Mr Tajbaksh is an artist, an angular, bewhiskered individual who will stop at nothing – hair transplants, sculpted muscles, painted jaws – to give his animals the eerie, life-like quality that pervades the Texas factory.

The hard labour is done in Monterey, Mexico, where 25 workers, mainly unskilled, are responsible for tanning the skins. The skins – sent duty free to Mexico – are returned to San Antonio.

Wage levels in Mexico are something Mr Tajbaksh felt unable to be specific about, but it can be safely assumed they are way below American levels in order to justify the freight costs to and from Mexico. However, Mr Tajbaksh points out that the Mexicans are also trained to make animal moulds.

Back to the grizzly. The hunter who felled the bear in Deadhorse, Alaska, will have to wait one and a half years for his trophy. The cost? Last month's quote was $6,000.

Guinness backwash unsettles island bankers

By Raymond Hughes in London

"GUINNESS," so the slogan for the dark brown brew goes, "is good for you." The discreet financial community of the island of Jersey, one of the UK's friendly neighbourhood tax havens, is not so sure.

Bankers on this Channel Island, tucked close to the coast of northern France, are feeling an uncomfortable backwash from the scandal surrounding the UK drinks company.

This week it was disclosed that £5.2m ($8.2m) of Guinness money had poured through the Jersey branches of Britain's National Westminster, Midland and Charterhouse Japhet banks.

The money – part of the £25m spent by Guinness in support of its bid for its rival group Distillers – was on its way, at least as regards some £3m, to Switzerland.

At a time when the UK's opposition Labour Party is making threatening noises about what it will do, if it comes to power, to make the island less attractive to businessmen who tread the fine line between avoidance and evasion of their legal and fiscal responsibilities to the mainland, Jersey would rather the money had not been poured through its coffers.

There is no reason to believe that any of the banks has acted in any way improperly. Indeed, when the money passed through them last year, they, like everyone in the City of London, would have had no reason to think twice about doing business with Guinness's then chairman, Mr Ernest Saunders.

But today with Mr Saunders disgraced and Guinness enveloped in a web of scandal, official investigations and potential criminal charges, things look very different.

A banker regarded it as "profoundly embarrassing" – a view endorsed by a stockbroker who observed that: "Whenever there is a whiff of scandal it must be embarrassing for the financial sector."

But, he added, the island had weathered scandals in the past and been left with its probity and financial activities undamaged.

Another businessman took a somewhat gloomier view. There were, he said, so many people on the island taking deposits when they shouldn't be.

Also, "there is an awful lot of money being laundered here." Jersey, he said, was leaving itself open to "rabid Socialists" to cause a constitutional row.

There is a great deal at stake. The island, which is still famous for its cows and thick cream, with nearby Guernsey is part of Europe's fastest-growing financial centre. Banking deposits are estimated at around £40bn. There are 53 banks and financial institutions on Jersey and 45 on Guernsey.

At the centre of the present affair is Mr Michael Dee. His company, Marketing and Acquisition Consultants, received the £5.2m – on behalf, it claimed, of Mr Thomas Ward, the US lawyer who is refusing to resign as a Guinness director.

Mr Dee is not, it can confidently be said, in the front rank of Jersey financiers.

He is an elusive man and camera shy. There have been media pictures of his "£500,000 house" and his "£125,000 yacht," and reports of his liking for fast cars. There has been at least one triumphant claim of a shot of the back of Dee's head.

Mr Dee enjoys the magic 1(1)K status to live in the world's most exclusive club. Only five a year may join – provided they have an income of not less than £75,000 a year and assets in excess of £2m.

Mr Dee appears to be behind the Europlan group of Jersey companies, with which Marketing and Acquisition Consultants is associated.

Marketing has an authorised capital of £5,000 in £1 shares of which nine are issued, three each to Mr Dee and two Europlan companies. It describes its business as "providers of legal, financial and other services."

The company changed its name in April, 1985, from Intertax Technical and Investment Services. Mr Dee and Viscount Villiers, the 38-year-old heir to the 9th Earl of Jersey (the Earldom dates from 1697) were founder shareholders in 1981.

The main company seems to be Europlan Financial Services which has an authorised and issued capital of £50,000. All but six of the £1 shares are held by Europlan Holdings, the balance Europlan Trust Company, and Europlan Secretarial Services.

Neither Jersey nor Mr Dee is going to be quickly shot of the Guinness Affair and the unwelcome publicity it is giving them. Guinness's legal action to recover the £5.2m is likely to drag on for months before the Royal Court, which is under pressure to redeem the island's reputation for being able to keep its own house in order.

THE LEX COLUMN

Rowntree reaches the marzipan

Two years of static earnings per share topped by a rights issue to buy a company already so well-managed as not to offer rapid growth, and the market was fairly fed up with Rowntree Mackintosh. But at last the long-promised jam is close enough to consumption for the shares to take it into account.

With the pound strengthening continually, yesterday may not have been the best moment to tell the market that North American profits will rise sharply this year, bringing them uptowards the contribution made by the UK and European arms. While US acquisitions have to be made with fingers crossed, Rowntree seems cheerful about Sunmark so far.

In Europe it is now almost entirely safe to say that Rowntree has finally got it right. It will take some time to move European margins up from last year's 2.7 per cent to the 10 per cent normal in Rowntree's confectionery businesses but profit growth should now be rapid.

Similarly the efforts put into Australia are now being repaid. This year the rationalisation programme in the UK should bring cost savings of £5m or £6m. And though there are still problems elsewhere, at least nothing seems to be getting any worse.

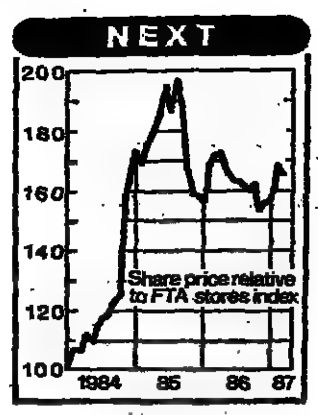
On that basis alone, and helped by replacing £55m of debt costing 11 per cent with a convertible paying perhaps 4¾ per cent, Rowntree could make £115m this year against the £84m just reported. The after-effects of the rights issue will still retard the earnings per share growth, to around 15 per cent, but even so the prospective multiple is only 12 or so with the shares at 497p, down 1p yesterday.

The market is nervous of more acquisitions, creating further paper. But that danger should not demand a discount to the sector when otherwise Rowntree deserves a premium. Nor has the UK investing community yet adopted the view, prevalent in the US, that strong international brands like Kit Kat (of which £255m-worth was sold last year) merit a couple more points on the p/e. If UK investors do not recognise it, others soon may.

Concert party

The Takeover Panel's new rules on disclosure and concert parties appear to have claimed their first victim – Cazenove acting in the defence of Hillards against Tesco. Discretionary funds managed by Cazenove have been deemed to be in concert with the Hillards shares owned by the founding Hartley family. The problem is that the combination of the two adds up to more than 30 per cent, which means that any other parties thought to be in concert with this pair will not be able to buy more than 2 per cent of Hillards' equity during the next year.

The implication that its discretionary funds are unquestioning fodder for the corporate finance department will doubtless anger Cazenove. But the Takeover Panel's reputation for vigilance was badly dented by the revelations about the tactics of Guinness in its pursuit of Distillers. It is no wonder the Panel has now become a martinet.



Next

Results of companies which have very recently merged often obscure more than they illustrate. In the case of Next, now with added Grattan, this situation is the more confused by the fact that these figures are a five-month instalment of a 17-month financial year. Yet things are not so confused as to disguise the fact that both sides of the new group have performed excellently. While Grattan is gaining through the shift from agency to direct sales, Next has continued to increase sales per square foot against a background of continued rapid physical expansion.

If the problem for Next is finding enough space to match its ability to broaden its range, then it is easy to see where Grattan comes in. The question is whether attracting Next-type customers into mail order will cannibalise the company's sales on the High Street. Since the first combined catalogue does not come out until the autumn, these figures cannot give a guide to the strategic success of the merger. At this stage there are just the standard merger savings on overheads and back room work, which may have added about £2m to the pre-tax line.

Yesterday, Next's share price gained ground steadily as analysts flown by the company to its Leicester HQ were given the fashion-show treatment. At 321p up 23p, the share's premium to the sector is a fair reward for the wit to attempt a route to growth which does not depend on physical gigantism and undying popular affection for the High Street.

Equity turnover

An 80 per cent increase in world stock market turnover between 1985 and 1986 cannot entirely be put down to the bull market which pushed Morgan Stanley's world index up by 39.1 per cent last year. Some help was given by that same firm's affection for its home currency which persuades it to translate all the figures into a declining dollar.

More interesting are statistics suggesting sharply improved liquidity in individual markets, which must be welcome even if the side effect is greater volatility. In Germany, for example, annual turnover as a percentage of the market capitalisation has risen from 19.1 per cent in 1976 to 63.5 per cent last year and that despite the turnover tax which the Bundesbank has been so keen to see removed.

In the notoriously hard-to-trade Italian market 38 per cent of the market value was traded last year compared to 18.7 per cent in 1976. It is difficult to decide which came first; the pressure of new, and particularly foreign, investors to get into the market or the flood of new listings and rights issues which increased the supply of stock and so created greater marketability. In 1986 the UK equity market was less liquid than Italy's, at 33.4 per cent of market capitalisation. But judging by the Stock Exchange's turnover figures since Big Bang that has all changed.

US urges softer line on Third World loans

BY ALEXANDER NICOLL IN NEW YORK

THE US yesterday stepped up pressure on commercial banks to adopt a more felxible approach in providing new finance to developing countries.

Mr David Mulford, Treasury Assistant Secretary for International Affairs, urged leading creditor banks to develop a broader "menu of options" which they could offer to other banks as a means of encouraging them to continue participating in new loans.

Speaking at a conference on debt/equity swaps, Mr Mulford said: "We must face the fact that greater flexibility in devising new money packages may, in effect, be essential to future bank syndications." Among the alternatives banks should consider, he said, were increased trade finance and project loans, and equity investment through swaps of debt and through mutual funds.

Initiatives such as a current Philippine proposal for partial payment of interest in tradeable notes "need to be looked at carefully," he said.

Options which would overcome banks' reluctance to make new loans were preferable to "exit" vehicles – financial instruments which would allow smaller creditors to sell out their holding of developing country debt – now being proposed, he said.

Banks in different countries could simultaneously pursue different approaches, provided that the value of the financing they offered to debtor countries was equivalent to their obligations in new loan packages.

Although there might also be other rescheduling mechanisms which reduced debtor countries' needs for new money, "new lending will still be necessary and should be expedited by debtors and commercial banks alike."

Remarks by US officials about the Philippine proposal have heightened pressure on the banks to accept what many see as an undesirable principle of accepting paper instead of cash interest.

Mr Mulford said an agreement between the Philippines and the banks on a rescheduling "now appears to be very bear." However, it was understood that talks due to have been held on Wednesday were postponed and it was unclear whether they had resumed yesterday.

Noting the reluctance of banks to commit themselves to a $7.7bn loan to Mexico, now 97 per cent subscribed, Mr Mulford called on banks to resolve the disagreements

Bid to block Fujitsu buyout of Fairchild

BY LIONEL BARBER IN WASHINGTON

THE US GOVERNMENT is split on whether to allow Fujitsu, the Japanese electronics group, to buy Fairchild Semiconductor, a leading Silicon Valley microchip manufacturer, and a cabinet-level group will meet shortly to resolve the issue.

Fujitsu's proposed acquisition has aroused controversy because it touches on a range of sensitive political issues, including the huge trade imbalance between Japan and the US and the national security implication of allowing a leading US chip maker to be owned by a powerful, vertically integrated Japanese electronics group.

Mr Frank Carlucci, President Reagan's new National Security Adviser, has ordered a general review of the rules on foreign takeovers of US companies. A senior US official said yesterday that the study would be the first attempt for several years to define how to reconcile national security concerns with the US "open door" policy on foreign investment.

The opposition to Fujitsu's proposed acquisition of an 80 per cent stake in Fairchild is led within the Reagan Administration by Mr Malcolm Baldrige, the US Commerce Secretary. Mr Clayton Yeutter, US Trade Representative, has joined the opposition.

But reports that Mr Caspar Weinberger was opposed to the sale were described yesterday as inaccurate. Although the Pentagon is concerned about its dependence on foreign chip makers as a source of supply, it has not yet accepted Mr Baldrige's arguments that Fairchild represents a test-case on foreign ownership rules.

Other government departments are sceptical about Mr Baldrige's campaign which they said yesterday was aimed primarily at putting pressure on the Japanese Government to open its market to American high speed supercomputers. "He is looking at all this too narrowly," said one US official.

Fairchild semi-conductor officials said that the issues raised by the US Government "have in our eyes been non-issues."

"In particular, the most recent objections concerning super computers, raised by Mr Baldrige, have no direct link with Fujitsu's proposal to acquire Fairchild. Fairchild Semiconductor does not manufacture or market super computers. It appears to Fairchild that government officials are ill-informed."

An interagency group has been studying the Fairchild purchase for the past six months but has been unable to come to any agreement.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	11	52	Dubrovnik	—	—	—	Malta	S	13	55	Rhodes	F	8	46
Algiers	S	22	72	Edinburgh	S	4	39	Manchester	S	4	39	Rio de J'o	C	27	81
Amsterdam	S	2	36	Faro	F	18	64	Manila	S	35	95	Rome	S	16	61
Athens	C	5	41	Florence	S	11	52	Melbourne	F	21	70	Salzburg	S	0	32
Bahrain	S	24	75	Frankfurt	S	1	34	Mexico City	S	26	79	San Francisco	C	14	57
Bangkok	S	34	93	Funchal	F	18	64	Miami	C	15	59	Seoul	S	13	55
Barcelona	F	14	57	Geneva	C	1	34	Milan	S	6	43	Singapore	F	31	88
Beirut	R	15	59	Gibraltar	C	15	59	Montreal	F	-12	10	Stockholm	S	3	37
Belfast	S	4	39	Glasgow	S	1	34	Moscow	S	0	32	Strasbourg	S	3	37
Belgrade	F	1	34	Guernsey	S	6	43	Munich	F	-2	28	Sydney	S	31	88
Berlin	S	-1	30	Helsinki	S	1	34	Nairobi	F	29	84	Taipei	C	24	75
Biarritz	S	11	52	H. Kong	C	21	70	Naples	S	18	64	Tangier	—	—	—
Bombay	F	28	82	Innsbruck	S	5	41	Nassau	S	24	75	Tel Aviv	C	15	59
Bordeaux	S	13	55	Inverness	S	6	43	New Delhi	S	23	73	Tenerife	F	23	73
Brussels	S	2	36	Islamabad	R	24	75	New York	C	0	32	Tokyo	S	12	54
Budapest	S	1	34	Istanbul	Sn	-2	28	Nice	S	10	50	Toronto	C	-7	19
B. Aires	C	30	86	Jakarta	R	33	91	Nicosia	F	15	59	Tunis	C	13	55
Cairo	C	18	64	Jersey	S	7	45	Oporto	C	14	57	Valencia	C	13	55
Cape Town	S	24	75	Jo'burg	F	27	81	Oslo	F	-2	28	Venice	S	5	41
Caracas	C	26	79	Lima	S	26	79	Paris	S	4	39	Vienna	S	-4	25
Casablanca	—	—	—	Lisbon	S	16	61	Peking	—	—	—	Warsaw	S	-3	27
Chicago	F	-6	21	London	S	4	39	Prague	S	-3	27	Washington	—	—	—
Cologne	S	2	36	Los Angeles	C	13	55	Reykjavik	C	4	39	Zurich	S	-2	28
Copenhagen	S	-1	30	Luxembourg	S	0	32								
Corfu	S	9	48	Madrid	F	11	52								
Dallas	F	2	36	Majorca	S	15	59								
Dublin	S	7	45	Malaga	F	18	64								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Japan set to co-operate on bank capital rules

BY STEPHEN FIDLER IN LONDON

JAPAN is prepared to work with Britain and the US on proposals to harmonise rules on capital adequacy for banks, Mr Toyoo Gyohten, vice-minister of finance for international affairs, said yesterday.

At the same time Mr Gyohten told a London banking conference, organised by the Japanese newspaper Nihon Keizai Shimbun, that substantive negotiations on the subject were not imminent.

"We have to start learning about the different situations in each country before we can start working towards joint rules," he said.

Preliminary talks have already taken place between Britain, the US and Japan at the Bank for International Settlements in Basle, but Mr Gyohten is expected to discuss the subject in meetings with the Bank of England this week.

The Bank and the Federal Reserve Board, of the US, unveiled proposals for harmonising the rules in Britain and the US earlier this year. They have invited comment by next month and will then publish a final paper on the subject.

The US and Britain will introduce the new rules in any case, but the inclusion of Japan in the agreement is seen as important in ensuring an even competitive environment for international banks.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday March 13 1987

K mart ahead as sales for year increase 8%

BY JAMES BUCHAN IN NEW YORK

K MART, the world's largest retailer after Sears Roebuck, yesterday reported stronger earnings for the fourth quarter and full year 1986, thanks to a better mix of merchandise, lower expenses and reduced interest costs.

Despite a jump in its tax rate, K mart, the leading operator of discount stores in the US, reported earnings from continuing operations up 20.8 per cent for the year to $570.3m, or $4.26 a share, against $472m, or $3.64, a year earlier.

The increase for the quarter was 8.5 per cent to $270.6m, or $2 a share, from $249.4m, or $1.91. Adjusted for discontinued operations and extraordinary items, earnings were $582.3m, or $4.35, for the year and $285m, or $2.11, in the quarter.

At the same time, Dayton Hudson, a Minneapolis discount and department store chain, announced a fall in earnings for the year and the quarter to January because of problems at its Mervyn's apparel business.

Earnings from continuing operations for the year were down from $280.5m, or $2.89 a share, to $255m, or $2.62. The quarterly result fell from $150.1m to $120.8m, or from $1.55 to $1.24 a share.

The improved earnings at K mart came after an 8.1 per cent increase in sales for the year to $23.81bn and an 8.8 per cent rise to $7.23bn in the quarter.

Excluding new stores, the sales growth was 5.5 per cent for the year. K mart's specialty retailers, picked up in a recent spate of acquisitions, increased sales 31.6 per cent to $2.5bn.

Mr Bernard Fauber, chairman, said: "Our performance in 1986 marks a major turning point for K mart." The improvement in performance showed that the company's investment in specialty retailing, store remodelling and point-of-sale technology "is correct for the long-term."

In addition the conversion of bonds into equity and lower interest rates cut net interest expense by 18.8 per cent.

Dayton Hudson said its stores performed well apart from Mervyn's, which saw a 35 per cent drop in operating profit in the year to $160.2m when it was forced to discount unpopular inventory. Overall, sales from continuing operations were up 12 per cent to $9.26bn, or up 5 per cent on a comparable basis.

Belgian arms group falls back

BY TIM DICKSON IN BRUSSELS

FABRIQUE Nationale Herstal, Belgium's troubled arms and aeronautics manufacturer, yesterday blamed last year's strikes, the weak dollar and falling oil prices for a net loss of BFr 1.45bn ($38m) in 1986.

The result, which relates to the parent company, compares with a modest BFr 6.8m profit in 1985 and was struck on reduced turnover of BFr 20.9bn, against BFr 24.1bn the previous year.

The company also said it expected to complete its restructuring plans shortly - these have already involved the announcement of a BFr 1bn cost-cutting programme and a further reduction of 1,090 in its workforce by the end of this year.

Discussions with its major shareholder Société Générale de Belgique, which owns about 21 per cent, as well as the banks and the Walloon regional executive are taking place, and a major capital injection is likely to be announced.

FN's problems really began in the early 1980s when the growth which had characterised its development in the 1970s was checked by competition from rivals. A company spokesman said last night the recent challenge had been "to adapt (FN's) structure to a lower level of activity."

Last year's strikes in March and April had caused "significant losses" and "costly delays" in manufacturing and delivery. The currency and oil price factors, meanwhile, had particularly hit the company's defence and aeronautical activities.

The net result, said FN, included exceptional losses of BFr 754m. Among these were the restructuring costs of the European subsidiaries of the Browning division.

The group said there was also a BFr 545m charge for restructuring costs in 1986 and a BFr 1bn provision for 1987 charged against 1986. This took the total "negative result" for the year to BFr 2.09bn.

Boliden hit by lower metal prices

By Sara Webb in Stockholm

BOLIDEN, the Swedish metals, chemicals, and mining group, reported a record loss of SKr 1.08bn ($167m) after financial items for 1986, which it blamed on low metal prices and several one-off costs related to the group's restructuring.

The board has decided not to pay a dividend for 1986.

The preliminary results include Ahlsell, the trading company which Boliden acquired at the beginning of 1986 and consolidated from April 1. Boliden's loss (excluding Ahlsell) was SKr 71m in 1985.

Group sales totalled SKr 12.38bn compared with SKr 6.16bn in 1985, excluding Ahlsell.

Boliden's total restructuring costs and write-down on shares amounted to SKr 1.08bn, once profits from the sale of power interests are taken into consideration. The costs cover mine closures and redundancy payments.

Lower metal prices meant severe losses in the mining and metals division, amounting to SKr 893m, or SKr 219m after one-off costs. However, the management believes that, if metal prices and the dollar remain at their current levels, Boliden could turn in a profit of SKr 150m for 1987.

Borg-Warner approves sale of unit for $240m

BY WILLIAM HALL IN NEW YORK

BORG-WARNER, the Chicago conglomerate which is being pursued by Mr Irwin Jacobs, the corporate raider, has taken another step in its restructuring and has agreed to sell its industrial products business to local managers for $240m.

Clayton & Dubilier, a private New York group which specialises in financing management buy-outs, has formed a new company with the senior managers of the California-based Borg-Warner Industrial Products led by Mr Peter Valli, who will be chief executive.

The group has sales of $300m a year from three divisions, including Byron Jackson Pumps, Fluid Controls and Mechanical Seals. It employs 3,000.

Mr Martin H. Dubilier of Clayton & Dubilier, says Borg-Warner's industrial products businesses have been aggressively restructured, resulting in a substantial margin improvement since 1983, and believes that they are "well positioned for profitable growth in markets which are currently on the rebound."

Mr Clarence E. Johnson, chief executive of Borg-Warner, says he is confident the sale is in the best interests of the company and that the restructuring will "help us to increase the value of the corporation for our shareholders."

After spinning off the York air conditioning business, Borg-Warner evaluated how well the industrial products group fitted into its business mix given its strategy to narrow the focus of its operations.

Power generation and petroleum refineries traditionally represented about 80 per cent of the industrial product group sales. However, the drop in energy demand halted the construction of generating stations and oil refineries, and the company has had to diversity to survive.

The latest sale comes less than a month after Mr Jacobs slightly raised the minimum price he offered to pay for Borg-Warner to $44 a share.

Although Mr Jacobs has not made a formal tender offer for the company, his presence, and that of other corporate predators, in particular Mr Sam Heyman's GAF Corporation, have put considerable pressure on the company to improve its financial returns.

In 1986 Borg-Warner increased its net income by 15.5 per cent to $206.1m, or $2.35 a share, on a 8.8 per cent rise in sales to $3.6bn. Borg-Warner shares rose by $⅝ to $41⅞ in early trading yesterday.

Taft rejects $1.3bn takeover bid

BY OUR FINANCIAL STAFF

TAFT BROADCASTING, the Cincinnati-based media group, has rejected the $1.3bn takeover bid launched last week by Mr Dudley Taft, son of the company's founder, and Narragansett Capital.

Despite the rebuff, Mr Taft and Narragansett said yesterday they intended to pursue their effort to acquire the company, which is already threatened with break-up by a shareholder group led by the wealthy Bass family of Texas.

Mr Carl Lindner, the Cincinnati-based financier who is Taft's second-biggest shareholder, is also reported to be weighing a bid.

Taft said its board's decision to reject the bid was based, among other things, on the advice of its financial advisers, Goldman Sachs, that the offer of $145 a share was inadequate.

The board concluded that the offer failed to recognise fully the future prospects of the company and directed management to explore alternatives, including possible financial restructuring.

Mr Taft and Narragansett said they intended to explore alternatives to achieve the acquisition, including further talks with Taft Broadcasting.

They said they were confident that the Taft Broadcasting board would agree that a speedy resolution of the company's current "unstable situation" was in the best interests of all parties.

The bidders noted that the Taft board did not decide that the offer was unfair to Taft shareholders. Early yesterday, Taft's shares were trading at $154¼, up $1¾

Dome proposes new debt plan

BY BERNARD SIMON IN TORONTO

DOME Petroleum, the ailing Canadian oil and gas producer, has asked its 56 international lenders to approve a debt restructuring plan designed to allow the company to continue normal operations while giving lenders a chance to share in any future improvement in its fortunes.

Dome said it would ask lenders to approve the plan within the next few weeks to ensure its implementation by June 30. The company would prefer, however, to short-circuit the restructuring plan by selling its assets to one of several leading international energy producers with which it has recently held negotiations.

The restructuring proposals include equity conversion options and compulsory conversion to new types of debt which would reduce Dome's debt to as little as C$2.6bn ($1.96bn) by 1997 at an oil price of just over $30 a barrel. Outstanding borrowings could rise as high as C$12.2bn if present arrangements with lenders are maintained.

Dome said that conversions from debt to equity would be encouraged by offering favourable early conversion rates.

Remaining debt will be subject to a security-to-debt ratio test to determine the amount which will receive scheduled payments at fixed-interest rates and the amount to be converted to instruments on which interest payments will be linked to oil prices.

The interest rate on oil-indexed debt will be between zero and 2 per cent a year

The company's cash balances have shrunk from C$436m on January 1 1986 to C$160m at the end of last January and are forecast to drop further to C$71m at the end of June 1987.

Mr Cor van der Klugt: "income has to be raised further."

Philips 'to continue growth'

By Laura Raun in Amsterdam

PHILIPS, the Dutch electronics group, forecasts in its 1986 annual report that net income will climb again in 1987 and sales volume will rise more than the 6 per cent growth seen last year.

Operating income is expected to rise in consumer electronics and components, both of which surged in 1986, and to rebound in lighting, following a fall. The outlook for professional products and domestic appliances is less certain after last year's decline.

The company reported two weeks ago a 10 per cent growth in profits to Fl 1.02b in 1986 from Fl 919m.

Mr Cor van der Klugt, chairman, warned in the annual report: "Our level of income has to be raised further. Our plans for growth are ambitious and require major investments. This calls not only for an improvement in income but also makes it imperative that we should enhance efficiency, adapt the organisation to changing and expanding tasks and make the most effective possible use of financial resources."

He added: "Measures to raise productivity as well as restructuring and cost control projects will result worldwide in a reduction in the number of employees." Earlier this week Philips announced plans to dismiss 290 workers at a consumer electronics test factory in Eindhoven but has since agreed to delay the lay-offs pending talks with the unions.

● Amsterdam-Rotterdam Bank (Amro), the Netherlands' second-largest commercial bank, predicts its earnings and total income will rise in 1987.

In its annual report released yesterday the bank said: "A further rise in income as a result of growth in activities and a careful control of costs through improved efficiency should have a positive effect on gross operating income." Lower loan-loss reserves should ensure higher net income, Amro added.

Motor Iberica reports 21% cut in losses

By David White in Madrid

MOTOR IBERICA, Nissan's Spanish commercial subsidiary, has announced a provisional 21 per cent reduction in losses for last year to Pta 8.5bn ($65m).

It said the turnround was sufficient to ensure "the definitive consolidation of the company."

The result followed 1985's increased loss of Pta 10.8bn, which raised some doubt about the future of Nissan's commitment to the Spanish company. The Japanese group took a stake in Motor Iberica in 1980 and has repeatedly had to plough in fresh capital. Its participation is now over 90 per cent.

Growth of almost 30 per cent in exports, principally to France and Britain, helped lift turnover by 23 per cent to Pta 79.6bn. Exports accounted for a fifth of the total and were led by the two Nissan product ranges made at Motor Iberica, the Vanette light van and the Patrol four-wheel-drive vehicle.

These lines were expanded last year as part of investments of Pta 5.7bn. The Vanette, introduced in 1985, accounted for more than 60 per cent of Motor Iberica's sales of commercial vans and led its segment of the Spanish market, the company said.

It said the Patrol, including new versions, took up more than half of the home market for four-wheel-drive vehicles.

Motor Iberica recently opened a new tractor plant outside Madrid in a joint venture with Kubota of Japan. The new company, Ebro-Kubota, with capital of Pta 1.1bn, has capacity for 10,000 units a year, which could grow to 20,000. It will serve both the Spanish and export markets.

Haig Simonian reports on how West German exporters limit currency exposure

VW fraud casts doubt on hedging

THE DM 480m ($260m) foreign currency fraud at Volkswagen, Europe's biggest car producer, still poses more questions than it answers.

But what information has seeped through has focused attention on the extent to which other large West German exporters deal with their foreign exchange exposure.

"First, you have to realise that only about 20 per cent of Germany's exports are denominated in currencies other than the Deutschemark," says the treasury head of one of the country's largest banks. "The figure is nearer 55 per cent on the import side, but it is still much lower than most people think," he adds. "Out of this, a large part is hedged in one form or another."

So Volkswagen, which is known to have had a policy of never hedging its very substantial foreign currency exposures, but dealing instead in the spot markets, is seen as an exception among West German corporations.

Other companies are known to hedge their risks. Sometimes they get it wrong; Lufthansa, West Germany's national airline, is believed to have taken a substantial foreign exchange loss last year because of the timing of some forward currency contracts.

One question that seems to have been ignored is how Volkswagen, with its anti-hedging approach, could have lost so much money in what has been described as a hedging fraud.

West German companies are also more limited in their choice of currency hedging instruments. Unlike in the US or the UK, there is no German currency futures or options exchange. Indeed, the status of futures and options contracts is still somewhat unclear in law.

So West German companies are thrown back on the already close relations they have with their commercial banks. Not all the banks feel the same way about marketing forex instruments.

Dresdner and WestLB have organised lengthy seminars in Frankfurt for journalists and their own staff to explain how such "new instruments" work. By contrast, Deutsche Bank is said to be more conservative. "The bank is reluctant to write a foreign currency option for anything longer than nine months," says one insider.

Most German companies hedge traditional forward foreign exchange rate contracts with their banks. However, more clients are interested in currency options, say the banks, though many are put off by the hefty premiums such tailor-made instruments carry.

Foreign futures and options exchanges have also been busy. But both exchange representatives and the local offices of US brokers which sell such contracts to German companies say there is still a lot of education to do.

In the Volkswagen affair, one crucial question that seems to have been totally ignored is how the company, with its anti-hedging approach, could have lost so much money through what has been described as a hedging fraud.

The most plausible explanation seems to be that the company, at some point, did one or a series of spot foreign exchange transactions and booked the deals at the days' rate. Volkswagen may subsequently have realised that those transactions had not, in fact, ever taken place, possibly owing to the "criminal acts" it has mentioned. Meanwhile, the exchange rate relationships involved may subsequently have changed from those Volkswagen originally booked to the company's obvious detriment.

Meanwhile, talks are taking place between the legal authorities in Frankfurt and their counterparts in Braunschweig, where Volkswagen first laid charges of suspicion of fraud, breach of trust and falsification of documents, according to Mr Christoph Schaefer, Frankfurt's leading prosecutor.

Mr Schaefer said there were signs that "something was being done here in Frankfurt."

Bid battle for Cyclops grows as investor group raises offer

BY OUR FINANCIAL STAFF

THE transatlantic bidding battle for Cyclops, the US industrial products and electronic retailing group, took a surprise turn yesterday when Cyacq, an investor group, said it would raise its outstanding tender offer price to $92.50 a share in cash from $80 if certain conditions were met.

The increased offer would exceed the $90.25-a-share price offered by Dixons Group of the UK, which values Cyclops at $384m. Dixons' offer has been recommended by the Cyclops board and provides for the sale of Cyclops' steel-making and other interests to an affiliate of Alleghany of the US for $110m cash.

Cyacq includes Audio/Video Affiliates, a US retailer whose original $332m bid for Cyclops was topped by Dixons, and also takes in Citicorp Capital Investors and other investors.

Cyacq said yesterday that for the tender price to be raised Cyclops must provide it with all non-public information provided to Dixons. Cyacq must also be satisfied with financial projections made in offering material by Dixons based on the information, the investor group said.

Dixons' rights to buy Cyclops common and its rights to fees or expenses if the Dixons-Cyclops merger agreement is broken must also be rescinded, Cyacq said. It said financial projections it developed for Cyclops were materially lower than those provided by Cyclops to Dixons.

Cyclops said it had no details of the new Cyacq proposal and could not comment.

Venezuela in US oil move

By Joe Mann in Caracas

THE VENEZUELAN Government has approved the purchase by PDVSA, the national oil company, of a 50 per cent interest in a US oil refinery for $93m.

PDVSA will pay $33m in cash and the equivalent of $60m in crude oil for a half-interest in Champlin Petroleum, whose chief asset is a 160,000 barrel-a-day (b/d) oil refinery in Corpus Christi, Texas. Champlin is a subsidiary of Union Pacific, the US railroad and resources group.

The purchase is the latest in a series of ambitious Venezuelan government investments in refining and distribution companies

INTL. COMPANIES AND FINANCE

Bid battle for US publisher

BY OUR NEW YORK STAFF

HARPER & ROW, the 170-year-old New York publisher whose list of bestsellers includes In Search of Excellence and the Thorn Birds, is at the centre of an escalating bidding war as Harcourt Brace Jovanovich (HBJ), a larger rival, has now joined the battle for its control.

Harper & Row, which received an unsolicited $34-a-share bid from Mr Theodore Cross, a lawyer and editor, earlier this week, has now received another offer to buy the company for $50 a share cash from Harcourt Brace Jovanovich, a big publisher of school textbooks.

The US publishing industry is not used to the rough and tumble takeover battles of Wall Street, and Harcourt Brace Jovanovich has assured its smaller rival that, should Harper & Row's directors and shareholders decide against their offer, "HBJ will, of course, step aside."

Harper & Row's shares, which had been trading at $25 at the start of the week, closed at $33½ on Wednesday before the offer was announced and then jumped $18 to $51½ in early trading on Thursday.

Harper & Row, which is seeking shareholder approval for several anti-takeover measures, said that its board had previously expressed a strong determination to remain an independent publishing enterprise. But its directors will consider the latest proposal.

The group also said that New World Pictures, a shareholder, had requested a copy of its shareholder list to be used in soliciting proxies. Mr Cross's offer, which included the assumption of $40m of debt, valued the company at $190m. He said First National Bank of Boston had promised to provide the bulk of the finance.

Harper & Row, whose current bestseller is The Search for Signs of Intelligent Life in the Universe, has a strong list of medical books as well as school textbooks.

Mr Cross, who owns just over 5 per cent of the company, has made considerable profits on other recent publishing ventures, including his acquisition of Investment Dealers Digest which he sold to Britain's Extel group last year.

Heinz appoints O'Reilly as company chairman

BY WILLIAM HALL IN NEW YORK

MR TONY O'REILLY, the former Irish Rugby International, has taken over as chairman of the H.J. Heinz Company, the international food company, following the death of Mr Henry J. Heinz II, the grandson of the founder.

Mr O'Reilly, aged 50, took over as president and chief executive of Heinz in 1979. He is only the fourth chairman in the history of the 118-year-old company and the first non-family member to hold the title.

Mr Henry Heinz II, who died on February 23, had been chairman since 1941 but stepped down as chief executive in 1966. Mr Heinz's son is a Republican Senator for Pennsylvania, and although the Heinz family interests are believed to control close to 20 per cent of the shares, there are no longer any senior members of the family active in the business.

Mr O'Reilly joined the UK arm of H.J. Heinz in 1969 and went to the company's Pittsburgh headquarters two years later as senior vice president for North America and the Pacific.

H.J. Heinz yesterday reported a 18.2 per cent rise in its third-quarter net income to $74.7m, or 55 cents a share, from $63.2m, or 46 cents, for the same period the previous year. Sales for the three months improved from $1.01bn to $1.08bn.

Sandvik moves ahead by 4.3 %

By Sara Webb in Stockholm

SANDVIK, the Swedish cemented carbide and special steels group, showed a 4.3 per cent rise in profits before appropriations and taxes to SKr 1.678bn ($260m) in 1986

Invoiced sales inched up 1.6 per cent to SKr 12.721bn against SKr 12.518bn in 1985. The management expects results for 1987 to be on a level with the 1986 figures, provided demand does not fall.

Cemented carbide sales totalled SKr 6.693bn and showed an 11 per cent rise in profits to SKr 1.225bn.

The board proposed raising the dividend from SKr 2.82 to SKr 3.50.

Glaverbel

GLAVERBEL of Belgium is the third-largest manufacturer of float glass in Europe and not the largest as inadvertently stated in yesterday's Financial Times.

ASEA Aktiebolag

Vasteras, Sweden

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders will be held in Västeras at 11.00 am, Monday, March 30, 1987 at Carlforsska skolan, Sangargatan 1.

Items

The agenda will include customary items stipulated in the Swedish Companies Act and the Articles of Association.

Proxy

At the Meeting everyone entitled to vote may do so for the full number of shares he owns or for which he has the right to vote as the representative on behalf of the owner or owners.

Notification

Shareholders wishing to participate in the Meeting must be recorded in the Share Register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Centre) no later than Friday, March 20, 1987 and must also notify the Board of Directors, either in writing under the address ASEA AB, Corporate Staff of Legal Counsel, S-721 83 Västeras, Sweden or by telephone (0)21-10 54 00, no later than 12.00 noon, Wednesday, March 25, 1987.

Shareholders whose shares are held in trust by banks or other trustees must temporarily reregister the shares in their own names no later than Friday, March 20, 1987, in order to be eligible to vote at the Annual General Meeting.

Dividend payments

The Board has proposed Thursday, April 2, 1987, as the record day for the dividend. If the proposal is approved by the Annual General Meeting, it is expected that the dividend payments will be mailed by VPC on Thursday, April 9, 1987.

Vasteras, February 1987

By order of the Board

ASEA

INTL. COMPANIES and FINANCE

Brunei gives Khoo more time over NBB debts

BY KEVIN HAMLIN IN HONG KONG

THE Brunei Government has dropped proceedings to obtain a summary judgment against three Hong Kong-registered companies controlled by Malaysian-born financier Tan Sri Khoo Teck Puat, which allegedly owe the National Bank of Brunei (NBB) B$118m (US$54.95m).

The proceedings, quietly dropped between one and two weeks ago, could signal a softening of Brunei's previously tough stance in its dealings with Tan Sri Khoo, whose family holds a 70 per cent controlling interest in NBB. The Brunei Government closed NBB last November, alleging that Mr Khoo Ban Hock, Tan Sri Khoo's son and NBB chairman, had conspired with three others to defraud the bank.

A summary judgment would have forced Tan Sri Khoo to repay NBB immediately, and the withdrawal of this petition significantly reduces pressure on the troubled businessman. But it is understood that the case will now be heard according to normal practice unless a settlement is reached.

Shearson Lehman, financial adviser's to Tan Sri Khoo, last month presented the Brunei authorities and NBB creditors with a package of proposals aimed at achieving a commercial settlement of the issue.

A Shearson Lehman official yesterday said in Singapore: "We were heartened by their decision to drop the proceedings in Hong Kong. We are not quite sure what motivated the decision, but we would like to think it was an effort to give breathing space to our proposals."

Writs were served on the three Hong Kong-registered companies — Whitehot Enterprises, Luxor Hotel, and National Holdings — last December. The case was first heard in January, when Tan Sri Khoo was granted an adjournment.

In Singapore on Tuesday, a hearing of petitions for a summary judgment against 15 companies controlled by Tan Sri Khoo was adjourned until May 4. The companies are alleged to have guaranteed NBB loans of S$880m (US$409.8m).

First Pacific to run Hong Nin

BY DAVID DODWELL IN HONG KONG

THE HONG KONG Government yesterday handed management control of Hong Nin Bank to First Pacific Holdings, the Hong Kong-based financial services group that is committed to acquire full ownership of Hong Nin for HK$150m (US$19.2m).

The Government assumed management control of Hong Nin in September, at a time when First Pacific was negotiating a deal to acquire the bank. Hong Nin was one of Hong Kong's smaller family-controlled banks, with just four branches. At the end of 1985 it had deposits of HK$300m and reserves of about HK$130m.

The bank's difficulties were largely linked with difficulties being faced by Sir Kenneth Fung Ping Fan, a prominent Hong Kong businessman who was a main borrower from the bank.

A month after the government move to support Hong Nin, First Pacific finalised a deal in which it deposited HK$120m in an escrow account with the bank, and agreed to acquire the entire share capital in November this year.

Since October, First Pacific has replaced the board of Hong Nin with its own executive team, and the Government handover of management control is an acknowlegement that the bank is now on the way back towards good health.

● Visa International, owned by a consortium of banks, said Bank of China has agreed to become a Visa member in May, and a Visa card will be issued for use in China and around the world, Reuter reports from San Mateo, California. No international credit cards are currently issued in China.

IEL deal threatens Humes plan

BY BRUCE JACQUES IN SYDNEY

INDUSTRIAL EQUITY (IEL), the Sydney-based takeover specialist, has emerged as the buyer of an 8 per cent parcel of Humes shares, throwing the Melbourne building products company's proposed merger with the Smorgon group back into doubt.

IEL, controlled by Mr Ron Brierley, was announced as the purchaser by the National Companies and Securities Commission which had won control of the parcel under a court vesting order. The shares were effectively confiscated from London broker Alexanders Laing and Cruickshank after the NCSC had alleged unacceptable conduct in what was then a takeover battle for Humes.

IEL paid about A$38m (US$26m) for the parcel, of which ALC will receive only about A$36.5m after deduction of A$120,000 in legal costs for the NCSC and nearly A$750,000 for the Victoria government as a virtual "fine" under the settlement. ALC is believed to have paid about A$59m for the parcel and is thus showing a loss of more than A$20m on the deal.

Mr Rodney Price, managing director of IEL, last night refused to speculate on where his company's intervention in the deal would lead. He added that reasons for the purchases would become apparent in the next few weeks.

One possibility is that IEL could swing Humes shareholders against the deal to give the private Smorgon group a 46 per cent stake in Humes in return for Smorgon's steel milling operations.

● Renouf Corporation of New Zealand has sold its 10.83 per cent stake in NZI, the financial services company, to Brierley Investments for NZ$207.7m (US$118.1m), Reuter reports from Wellington.

Gencor increases profits by 45%

By Jim Jones in Johannesburg

GENCOR, South Africa's second largest mining house, boosted pre-tax profits 45.4 per cent last year to R785.4m ($335.4m), aided principally by higher gold mining dividends, a drop in interest charges and a reversal of earlier losses in industrial subsidiaries.

However, net profits were restrained by losses in the group's non-South African ventures and lower revenues generated in financial markets.

Income from gold investments increased to R165.2m from R112.8m. Sappi, the subsidiary which makes pulp and paper, increased its profit to R56.9m from R25.7m, and other industrial interests recorded a profit of R28.1m against 1985's deficit of R48.8m.

Offsetting these improvements was a loss of R16.5m, against the previous year's profit, generated by the overseas interests, and a drop to R148.1m from R214.8m in the profit generated by the treasury division. Operating earnings fell to R937.2m from R967.3m.

Valued at market prices, the group's total assets were R11.2bn at the end of 1986, against R8.8bn a year earlier.

Mr Derek Keys, the new chairman, said in Johannesburg yesterday that R254m was charged against profits in writing off non-performing operations and investments in countries outside South Africa which are "economically or politically unstable." The write-offs did not include the Sao Bento gold mining venture in Brazil.

Mr Keys added that Impala Platinum suffered under long-term contracts, which did not allow the company to benefit fully from higher platinum prices, and that the platinum market was in danger of becoming oversupplied as new mines are brought into production in South Africa.

Net earnings rose to 616 cents a share from 481 cents and total dividend has been lifted to 230 cents from 195 cents.

Keppel back in the black

BY STEVEN BUTLER, SINGAPORE CORRESPONDENT

KEPPEL CORPORATION, the Singapore government-controlled shipbuilding and repair group, returned to profitability in 1986 after two loss-making years.

Net earnings reached S$16m (US$7.45m) compared with a loss of S$44.1m in 1985. After extraordinary items, attributable profits totalled S$5.1m, against a loss of S$129.6m in 1985. Turnover for the group declined from S$616.1m to S$576.3.

The improved earnings performance was attributed to cost-cutting measures taken in the last two years, and to the disposal of lossmaking assets, the proceeds of which were used to reduce borrowing.

Keppel said that the full impact of the cost cuts would be felt in 1987 and that this would lead to improved profitability in the coming year. It also cited signs of a continuing recovery in the shiprepair industry.

Keppel plans a US$60m convertible bond issue in order to refinance current borrowings at a lower cost. The issue is conditional on approval from shareholders and the Stock Exchange of Singapore.

The group's two major listed subsidiaries, Far East Levingston Shipbuilding (FELS) and Straits Steamship, both reported improved results. After-tax earnings at FELS rose from S$9.7m in 1985 to S$110.m. It plans a two-for-one stock split and a one-for-four bonus issue.

Net profits at Straits Steamship rose from S$1.2m to S$8.3m, while sales fell by S$19.9m to S$164.6m. Straits Steamship has proposed a one-for-four rights issue designed to eliminate borrowing. Keppel also revealed that it has placed 25m Straits Steamship shares, which could reduce its holding to 72 per cent.

Kidston boosts dividend

By Our Financial Staff

KIDSTON, Australia's biggest gold mine, achieved net profits of A$60.50m (US$41.45m) for 1986, its first full year, compared with A$50.76m in the previous 10-month start-up period.

The company, 70 per cent-owned by Canadian-controlled Placer Pacific, boosted its annual dividend to 37 cents a share from 15 cents.

Revenues grew to A$134.54m from A$100.63m. Kidston produced 238,380 oz of gold against 206,467 oz.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Yoko Shibata on the restructuring of Japan's bond market

Tokyo moves to woo back issuers

THE JAPANESE securities industry is to relax underwriting procedures for Japanese domestic corporate bond issues in the first comprehensive review of the problem for 39 years.

Under new procedures to be introduced next month, the period between a decision to proceed with a bond issue and the actual offering date will be shortened to about 10 days from the present 25 days.

The sweeping reforms now under way in the corporate bond market are designed to lure Japanese corporate borrowers back to Tokyo from the much less restricted international capital market.

A key feature of the new underwriting procedure is that it will change the time-honoured practice of settling the terms of all new issues at a monthly meeting of the big securities houses and commissioned banks in the so-called *Kisaikai* process.

There has been criticism that the *Kaisaikai* mechanism leads to a lack of flexibility in the timing of bond issues, resulting in uniform issue terms regardless of the credit standing of different issuers. From now on, borrowers will be able to choose the timing of their own issues.

Another complaint by the securities houses themselves has been that the long lead-times have made it very hard to conduct currency swap business in Japan, since swap-driven issues require decisions on exchange rates which borrowers and counterparties need to be able to take at short notice. It is not clear whether the new procedures will provide enough flexibility to help solve this problem.

To increase competition among underwriters, a "proposal formula," which lets borrowers negotiate with underwriters over the terms and the timing of issues, is to be adopted.

The new issuing procedure will be tested for the first time next month by a bond for Nippon Telegraph and Telephone, which is expected to be followed by bonds for several electric power companies.

Eligibility eased

The reform is in line with the proposals made last December by a special working group on public and corporate bonds of the Securities and Exchange Council, an advisory body to the Finance Minister.

As an initial step towards restructuring the domestic bond market, eligibility requirements for unsecured straight and convertible bonds were eased substantially with effect from March 1. Restrictions on maturities of corporate straight bonds are to be removed from next month to allow the issuance of corporate straight bonds with maturities of four to six years.

The securities industry is also considering introducing a shelf registration system in fiscal 1988, which would give virtual blanket approval to companies to issue bonds under certain conditions, removing the need for them to obtain permission from the authorities for each issue. Shelf registration was introduced in the US in 1983.

According to preliminary figures, Japanese listed companies are expected to raise a record Y8,900bn ($57.9bn) on th edomestic and international capital markets during fiscal 1987, ending this month. This would be a jump of nearly 40 per cent from the previous year and a 3.85-fold increase over the past 10 years.

The increase is chiefly attributed to falling issuing costs of domestic convertible bonds and foreign bonds with warrants. By contrast, issues of straight bonds are expected to rise from by 5 per cent to £2,400bn.

The market in new issues of domestic straight bonds remains especially depressed, falling to Y943.5bn in fiscal 1986 from Y1,504.2bn in fiscal 1975. About 97 per cent of straight corporate issues are made by NTT and the electric power companies.

Cheaper Euroyen

Recently, even the power companies have been shunning the domestic straight bond market, aware that they can raise yen funds much more cheaply overseas. Tokyo Electric Power has already announced a Y60bn Euroyen bond, the largest such issue seen in this market, while Chugoku Electric Power is to issue its second series of Euroyen bonds, totalling Y15bn, on March 10.

The power companies say the cost of issuing Euroyen bonds is expected to be around 5 per cent, substantially below the current cost of 5.88 per cent for comparable bonds on the domestic market.

If other power companies follow suit by raising funds for capital investment in the Euroyen market, the domestic straight bond market stands to lose the job of providing for requirements which amount to over Y3,000bn a year for the nine companies.

MoF to ease controls on yen bankers acceptances

BY YOKO SHIBATA IN TOKYO

IN A BID to breathe fresh life into the moribund Tokyo yen-denominated bankers acceptance (BA) market, the Ministry of Finance has agreed with banks to ease controls by this summer.

The yen BA market opened in June 1985 as part of the US-Japanese agreement on the internationalisation of the yen, but it has so far failed to live up to expectations.

The market has been shrinking ever since the first month, when outstandings reached Y70bn; this compares with a target of Y1,000bn for the first year. Recently, the figure has been as low as Y14bn.

Yen BAs are issued to banks by Japanese exporters and importers for trade financing purposes.

The low level of activity reflects the fact that a yen BA facility costs a borrower more than a trade-related loan based on the short-term prime rate. In addition, higher stamp duties have discouraged the oil companies and steel makers, which count among the biggest trading groups, from raising yen BA funds.

The yen BA market is often described as a typical product devised by bureaucrats, wrapped in a complex web of regulations in defiance of the needs of market participants. Tokyo bankers often plead that the folly of the BA market should not be repeated in the proposed commercial paper market.

Some analysts, however, believe that the stunted growth of the BA market has led to concern in the MoF that it may lead to US complaints at the next follow-up meeting on the 1984 yen-dollar agreement, now expected to take place in May.

World Bank sees reversal of interest rate decline

BY CLARE PEARSON

THE WORLD BANK intends to accelerate its borrowing programme this year in anticipation of a reversal in the long-term downward direction of international interest rates, Mr Eugene Rotberg, the bank's treasurer, said yesterday in a speech to financial institutions in London.

Mr Rotberg said the World Bank would be concentrating on lengthening the maturiti**e**s of its fixde-rate borrowings to take advantage of current low interest rates, and was unlikely to make any floating-rate borrowings.

Mr Rotberg said the World Bank carried out a policy of keeping down its cost of funds by diversifying the markets that it tapped, rather than by making use of financial innovations. He added that many new instruments had turned out to be unsatisfactory both to borrowers and investors.

"We do not believe in encouraging 'suicide' bids from bankers to obotain our mandates," he added.

The average cost of borrowings to the World Bank during the last financial year, which ended in June 1986, was 6.93 cent, compared to 7.98 per cent during 1985. Some 81 per cent of total borrowings were carried out in global capital markets, and the balance was placed with official sources.

The World Bank currently has liquid cash reserves of $19bn, representing 25 per cent of all outstanding debt. About 75 per cent of these reserves were in dollars, with the remainder being made up by six or seven major currencies.

Investors welcome Finnish measures

By Olli Virtanen in Helsinki

A PACKAGE of liberalisation measures enacted by the Finnish parliament last month is expected to go a long way towards closing the gap of confidence towards the country's financial markets on the part of foreign investors. Prices of free shares (those available to non-resident investors) rose by as much as one-third immediately after the new legislation was passed, though they have sine eased back.

The new measures, expected since last summer, include:

- Doubling the percentage of a Finnish company's equity that may be held by foreign investors from 20 per cent to 40 per cent, although the maximum percentage of voting rights that can pass into foreign hands remains 20 per cent.
- A reduction from 20 per cent to 10 per cent in the maximum stake a bank may hold in a non-bank, and a similar 10 per cent reduction to 10 per cent in the percentage an insurance company may own in an unrelated company.
- An official green light for the establishment of mutual funds in Finland.

The mutual fund legislation is seen in Helsinki as the most important of these measures. By some estimates, it will create new demand worth up to FM500m ($110m) next year, compared to total turnover on the Helsinki stock exchange of some FM9.5bn in 1986.

Surge in prices

The new funds will have a minimum share capital of FM1m initially, and most Finnish banks and several insurance companies have already announced plans to launch their own. Mr Sakari Tuomainen, recently named to head the mutual fund being set up by Kansallis-Osake-Pankki, expects the first batch to begin operations by the autumn of this year.

The funds will be allowed to invest in securities quoted on the Helsinki stock exchange and, subject to some restrictions, in foreign securities, though few analysts here expect any large-scale rush into overseas markets.

Authorisation for the funds, which are expected to add significantly to liquidity in the market, appears to have been the main factor behind the recent surge in prices of unrestricted shares, which had recently been trailing the market.

Mr David Ramage, head of equity trading at the London branch of Union Bank of Finland, says that the new law "has increased confidence in the liberalisation of the market," and adds that a number of large new foreign investors have been showing interest in Finnish shares. "There is more solid quality buying now than before."

While this may have been a gesture of confidence, as some analysts in Helsinki also believe, the fundamentals have also strengthened. The most recent forecast for economic growth by the Ministry of Finance projects a 3 per cent gain in gross domestic product this year, an increase in the trade surplus and, possibly, further liberalisation measures for the financial markets.

The markka has recovered much of the strength it had enjoyed up to the bout of speculation last summer that led the central bank briefly to impose punitive short-term interest rates—an episode whose cost has been showing up graphically in the results of Finnish banks in recent weeks.

Better earnings

Most other Finnish companies (with a few notable exceptions) have been reporting better earnings for the past year in the wave of results during the past few weeks.

Companies, as well as foreign investors, have welcomed the increase in the foreign ownership ceiling to 40 per cent. Corporate treasurers see the new rules as giving them increased in reasing equity finance, and many are expected to apply for permission (which can in theory still be withheld) to increase their companies' free shares in issue.

The restrictions on share stakes held by banks and insurance companies in unrelated companies are not, however, expected to make much difference either to the running of Finnish companies or to the stock market. The banks and insurers have five years to bring their holdings down to the new limits, and are not restricted from disposing of their shares to companies within their existing spheres of influence.

Raft of convertible deals meets good reception

BY STEPHEN FIDLER

STRENGTH IN the American and British stock markets brought a new raft of convertible issues into the Eurobond market yesterday to a ready reception from investors.

Genentech, the US biotechnology group, set the pace with a rare chance for European investors to get into the high-technology sector of US market.

The 15-year issue, which was brought on Wednesday and rose quickly to a healthy premium, was increased in size by lead manager Credit Suisse First Boston from $100m to $150m. The coupon was set at 5 per cent and the conversion premium put at 23.85 per cent.

Still in the US dollar sector, Home Shopping Network brought a $150m issue with a final maturity of 2002 and a coupon of 5½ per cent. The indicated conversion premium was about 28 per cent and the issue was quoted around its par issue price. Drexel Burnham Lambert was lead manager.

Hawley Group, a Bermuda-based specialist cleaning company, launched an issue of 150,000 convertible preference shares to raise $150m, again through CSFB. The conversion premium was indicated at 20-22 per cent and the coupon at 5¾ to 6 per cent. There is an investor put option in the seventh year to give a yield to put of 8 per cent.

The company, whose shares are quoted in London and on Nasdaq inthe US, launched a similar issue 13 months ago, with a coupon 8¼ per cent and a conversion premium of 26 per cent.

That issue is now in "conversion territory," according to Mr David Hammond, Hawleys finance director.

INTERNATIONAL BONDS

Hhe said the company's motivation in bringing another issue was two-fold. "We wanted to broaden our investor profile and it was an opportunity for us to lock in some long-term funding at very competitive rates." The issue was quoted just above par.

Rowntree Mackintosh, the UK confectioner which announced 1986 pre-tax profits of £86m yesterday, became the latest UK company to tap the sterling convertible sector. Its £55m 15-year issue, led by J. Henry Schroder Wagg, carried an indicated coupon of 4¼ to 4¾ per cent and a conversion premium indicated at 10 to 15 per cent.

A put option is exercisable in 1992 to yield 8¾ to 9 per cent. The issue rose to be indicated at 103 bid.

In the dollar straight sector, Swiss Bank Corporation International led a $100m 10-year issue on behalf of Norsk Hydro. With a coupon of 8¼ per cent and a price of 101½, the paper yielded a generous 97 basis points over the equivalent US Treasury.

Eurobond investors have not been showing much appetite for 10-year paper, as evidenced by last week's three-tranche bond for Hoechst, and this issue did not mark any contrast with that rule. It was, however, quoted at a discount just inside its fees of 2.00-1.90.

In the Canadian dollar sector, a C$125m 10-year bullet bond for Hydro Quebec was boosted to $150m. It was priced by lead manager Merrill Lynch at 100¾ with a coupon of 9 per cent, and was quoted within fees at less 1.6-1.5.

Salomon Brothers also boosted its issue of collateralised mortgage obligations (CMOs) to $319.2m from $229m. The issue, yielding 40 basis points above three-month London interbank offered rates with a cap of 11½ per cent, apparently went well despite some sentiment that it was tightly priced.

In yen, Toyota Motor Credit brought a Y23bn five-year bullet issue through Nomura International, with a coupon of 4¾ per cent and a price of 101¼.

Second Swedish exchange opens with new option

BY SARA WEBB IN STOCKHOLM

SWEDEN options and future exchange (known as Sofe), the country's second options market, is due to open today and launch its first instrument, a new index option.

Sofe's SX16 index option is based on the Stockholm stock exchange's top 16 shares. The rival options market, OM, which started in June 1985, has an index option (OMX) based on the 30 most actively traded shares.

Sofe hopes that its SX16 will appeal to foreign investors who have recently been admitted to the Swedish options market. "We think that foreigners buy Swedish blue chips and prefer the top 16 shares," said Mr Ulf Elvestedt, managing director of Sofe.

Investors have a choice of a cash settlement or a stake in one of six different share funds run by Swedish banks on the expiry date.

Unlike OM, Sofe will operate on an open outcry system for the larger trades, but expects to conduct smaller trades on its computer system.

CBOT delays evening trading

THE CHICAGO Board of Trade, the world's largest futures exchange, has decided to postpone until April 30 the launch of its evening trading session, David Owen reports from Chicago.

Four contracts, which together accounted for close to 75 per cent of the exchange's 1986 volume, will be included in the session.

Mr Karsten Mahlmann, the CBOT chairman, said the postponement had been decided upon "in order to afford all firms the time necessary to be 100 per cent ready for this innovative programme."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75
A/S Eksportfinans 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com. 11 95	[illegible]	[illegible]	117	[illegible]	[illegible]	[illegible]
Austria 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac. 10⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.31

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Expr. OS Cr. 5⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark, Kingdom 5⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 4⅞ 93	[illegible]	[illegible]	[illegible]	100	[illegible]	[illegible]
Sweden, Kingdom 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden, Kingdom 5⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change on day [illegible] on week 0

[illegible]

UK COMPANY NEWS

Next accelerates to £30m with the help of Grattan

BY RALPH ATKINS

Next, fashion and home furnishing retailer, yesterday reported pre-tax profits of £30.12m in the five months to January, against £12.4m for the corresponding period in 1985-86.

The company's shares closed 14p higher at 312p after falling 12p on Wednesday.

Much of the increase was due to the purchase of the Grattan mail order business for nearly £300m in July 1986—the interim figures showed a trading profit of £14.45m for the subsidiary. On a pro-forma basis profits were up 41.2 per cent.

Earnings per share increased to 7.67p from 5.34p. An interim dividend of 1.5p (1.3p) per share is declared.

Next's increased profits reflected a strategy of extending its wardrobe of fashion, home furnishings and mail order businesses.

"Today's Next is a very different group than it was three years ago," said Mr George Davies, chief executive.

Development of new areas had been achieved through organic growth as well as acquisitions.

"On both fronts, retailing and mail order, we have become a far more broadly based group," said Mr Davies.

In the second half of 1986 the ladieswear business was split into Next Too, for casual wear, and the Next Collection, more formal wear. There are plans for similar changes in menswear.

Trading profits for the Next shops—which now include lingerie, shoe and accessory units—rose 43 per cent to £12.86m.

Club 24, the retail credit card subsidiary, increased trading profits to £2.97m from £2.47m. Next said the volume of credit given had grown but bad debts were accounting for a smaller percentage.

The group planned to use its experience in mail order to launch Next Home Shopping in the next 12 months.

"In terms of next year it will be one of our major growth areas," said Mr Davies.

The group also planned an update of the Club 24 computer systems, using existing capacity, and aimed to introduce a new generation of tills to update its electronic point of sale system.

New lines in childrenswear were planned but the board was not intending to extend its hairdressing service beyond the three shops where it had been introduced.

Net interest paid in the five months to January was £2.55m, up from £200,000 in 1986. The tax charge rose to £10.54m from £4.96m.

See Lex

Wm. Collins advances 19%

AFTER A dull first half, retailing operations of the William Collins group performed well, and helped push up the pre-tax profit by 18.6 per cent, from £13.1m to £15.53m, in the year ended December 28, 1986.

That stemmed from turnover ahead 19 per cent to £144.44m. Associates' profits fell to £788,000 (£944,000) and net interest charges were up to £2.87m (£2.27m).

The group activities cover publishing books, diaries and stationery, and book manufacturing and retailing. The encouraging trend shown by Hatchards and Claude Gill—the retailers—in the second half had continued into 1987.

Overall sales for the first two months of the current year were ahead, and a number of exciting developments were in place, the directors reported.

After tax £4.49m (£4.1m) the net profit for the year came to £11.04m (£8.99m) for earnings of 32p (26.1p). The final dividend is 6:65p for a net total of 9.25p (7.75p).

In the latter part of the year Collins sold its one-third interest in Pan Books to the other two shareholders, Macmillan and Octopus Publishing. Its profit on the deal of £6.05m has been taken as an extraordinary credit.

● comment

Yesterday was a very bid day in the life of William Collins. It saw the signing of the publishing agreement with Novosti of the Soviet Union that will enable 100 photographers, half of them from the West, so spend May 15 in Russia clicking away approximately 125,000 times at anything that movesh them in order to produce 300 pictures for episode two of the publishers new money spinning series. Os "A day in the life of America" has already sold 600,000 copies at $40 a time it is no wonder that Collin's and its Russian collaborators are smiling. The fanfare almost overshadowed these results and with £18.5m in view this year, maybe a little more in exchange rates go in its favour, the lacklustre past appears to be receding fast. The halving of borrowings and the continued strong positive cash generation, suggests that the company's shares at 445p (up 20p) for the non-voting stock, still have good upside potential.

Antler ahead to £0.87m

Antler USM-quoted luggage and travel goods company, yesterday announced pre-tax profits of £871,000 for 1986, against £733,000 previously. The second half contributed £351,000.

The comparative figures are adjusted to exclude those group charges which would not have arisen had the company not been a subsidiary of a group holding company prior to its flotation in April 1986. The adjustment is also to include the full year's result of the Brexton division acquired in 1986.

A maiden 2p dividend is being paid as forecast. Earnings per 5p share improved from 7.1p to 9.8p.

After tax of £295,000 (£317,000), and an extraordinary debit of £58,000 (nil), attributable profits improved from £416,000 to £518,000.

CSC Trust

From earnings ahead to 10.51p in 1986, against 9.81p, C.S.C. Investment Trust is aintaining its dividend at 9.35p net, with a final of 5.75p. Year-end net asset value stood at 154.12p, compared to 142.93p.

Total income was £348,445 (£355,545), with franked £233,561 (£252,488) and unfranked £1112,000 (£103,000).

Stockley boosted by sale of Stock Conversion stake

MR RON PEET, chairman of Stockley, the property development and investment company yesterday announced that profits for the 1985-86 year had risen from £3.77m to £7.82m at the pre-tax level.

In addition, he said the company had realised an extraordinary profit of £10.88m from the sale of its 26.5 per cent stake in Stock Conversion to P & O in June.

Profits for the year were boosted by a £4.88m (£2.11m) contribution from Stock Conversion prior to the sale, by a £1.06m increase in rents receivable to £3.01m and by a surge in interest income to £2.43m (£282,000).

Mr Peet said he and his boardroom colleagues considered that the company was now in a position to pay a dividend on the ordinary shares—payment for the year is to be 2p net per 10p share.

He warned, however, that the payment reflected to some extent the extraordinary credit and that the level of dividend, if any, in future years would not necessarily be at the same rate as that now proposed.

The sale proceeds of the Stock Conversion share sale amounted to £100m. They were received in July and were used to repay all of the company's borrowings, with the exception of the long-term debenture loan.

The proceeds also provided Stockley with significant liquid funds which Mr Peet said would enable it to retain a larger proportion of the surpluses from the substantial development programme.

Reporting on the Stockley Park, Heathrow, development the chairman said progress was continuing well. Some 350,000 sq ft of the first 500,000 sq ft accomodation being developed for the Universities Superannuation Scheme had already been built. Fujitsu had located its European headquarters at the park and lease agreements with other tenants were at advanced stages of negotiation.

The directors remained confident that the Stockley Park development would bring significant returns for the company.

On the investment side, Mr Peet said following last year's acquisition of a portfolio of properties fro mthe European Ferries Group, Stockley now had the benefit of a significant flow of rental income.

Since year-end, the company had sold for cash three development properties for a total £25.25m and had realised a profit before tax from the sales of around £9.1m.

EMAP buying Senews for £17m

By Clay Harris

EMAP, the newspaper and magazine group, yesterday bought its first foothold on the prosperous south coast of England by paying £16.6m for Senews, publisher of 22 weekly titles.

Ladbroke Group will receive £12.57m for the nearly 76 per cent stake in Senews, which it bought 13 months ago for £4.8m. Ladbroke never had to pay an additional £1.3m because Senews profits failed to meet the forecast level.

The betting, property, hotels and retail group had also advanced Sinews a long-term low-interest loan of £1.6m and made other undisclosed investments in the group, which has titles including Dover Express, Folkestone Herald, Hastings Observer and Mid-Sussex Times.

Senews also owns Southern Webb Offset, which prints all the group's titles, along with other contract work, including The Racing Post. Brighton and Hove Express, a loss-making free daily, is not included in the sale and will cease publication, Ladbroke said.

EMAP's newspaper interests, which include three dailies and 32 weeklies, contributed pre-tax profits of £2.28m on sales of £22.45m in the year to last April.

Ladbroke said the sale reflected its judgment that the commitment required to develop the business was not in line with group strategy. Continuing Senews businesses showed unaudited turnover of £16m in 1986, with profit of £1m after exceptional items of £700,000 and capitalisation of newspaper launch costs of £600,000.

The £16.6m cash price is based on net assets of £3m and is subject to adjustment. The minority 24.25 per cent stake will be sold by Mr Robert Breare and associates. Mr Breare, Senews chief executive, will continue as a non-executive director.

APV Holdings wins 41% of Baker Perkins

By Nikki Tait

APV Holdings, the process plant engineer which is making a recommended offer for the Peterborough-based engineering group, Baker Perkins, announced yesterday that it had received acceptances from holders of 40.8 per cent of Baker's shares.

In a separate circular to shareholders, Baker confirmed that its chairman met Mr Robert Maxwell, the publisher, last week. But it said that no specific proposals had been made to the company by Mr Maxwell, and again recommended shareholders to accept the APV offer.

Commenting on the meeting—held eight days ago—Mr Colin Joyce, Baker's finance director, said: "Mr Maxwell certainly didn't say there was an offer on the way—but we are not quite certain what his intentions are or were."

Yesterday Sir Ronald McIntosh, chairman of APV, also revealed that he had a "short, friendly telephone conversation" with Mr Maxwell yesterday — but refused to elaborate on discussion. "He is aware, as the market is, that we have substantial support," was all Sir Ronald would add.

Hollis Group—the vehicle for Mr Maxwell's expansion into engineering—approached Baker about a merger before details of the proposed deal with APV were announced in January. It has since been raising its stake in the company and recently took this to just over 10 per cent.

Yesterday's APV announcement also stated that acceptances had been received in respect of 69.2 per cent of the preference shares and that all conditions of the offer—other than the level of acceptances—had been met.

The offer closes on March 23.

TR London Trust £10m debenture

De Zoete Bevan is arranging a placing on behalf of TR City of London Trust of £10m 10¼ per cent debenture stock 2002. It is priced at £98.819 per cent at which the gross redemption yield is 10.379 per cent.

Payment will be £20 on acceptance and the balance by September 11. First interest of £2.4158 will be due on October 31 in respect of the period March 18 to October 31.

Lysander losses up

Lysander Petroleum, a holding company with interests in oil and gas exploration, development and production, reported pre-tax losses up from £86,208 to £156,595 in the six months to September 30 1986. Turnover moved ahead from £15,648 to £98,135.

The chairman said that the company had started its Arkoma Basin programme and results for the second half would be better—although unlikely to eliminate the losses. The company was now trading profitably.

Lysander, which is quoted on the USM, paid no tax and losses per share emerged at 0.97p (0.5p). No dividend will be paid.

UK COMPANY NEWS

Rowntree sees bumper year ahead

BY CLAY HARRIS

Rowntree Mackintosh, the confectionery manufacturer and food retailer, increased pre-tax profits by nearly 6 per cent last year but forecast a considerable improvement in benefit of recent US acquisitions.

Profits advanced to £84m in the 53 weeks to January 3 against £79.3m in the previous 52-week period. Turnover rose by 7 per cent to £1.29bn (£1.21bn).

Rowntree also announced yesterday a £55m issue of convertible loan stock, with which it plans to reduce interest costs by replacing variable-rate borrowing.

The company said that it was not unhappy with analysts' predictions of £110m pre-tax profits this year. Current trading was especially encouraging, according to Mr Kenneth Dixon, chairman.

"We have had one of the best starts we have had for many years," he said.

Rowntree's strength continued to lie in established brands such as Kit Kat (celebrating its 50th anniversary), Smarties, After Eight, Quality Street, Polo and Yorkie.

"The bigger the brand, the better the margin," said Mr David Bowden, finance director.

Although UK snack foods should recover this year, they were not expected to reach the 1985 level, he said.

Sunmark, the US sweets and snack food group bought for $230m (£155m) last year, contributed about £2.5m in the last four months which did not include peak pre-Halloween production. Rowntree expects £18m in trading profits from Sunmark in 1987.

In the UK confectionery market, where its average trading margin was just under 10 per cent, Rowntree added another half-percentage point to its market share of about 20 per cent.

Mr Dixon said, however: "We are still waiting for a year in which everything goes right." Adverse currency movements £5m; Canadian profits suffered from the imposition of sales tax; and fierce competition reduced prices and margins in the UK snack foods and Middle East markets.

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Sunmark, the US sweets and snack foo group bought for $230m (£155m) last year, contribute about £2.5m in the last four months which did not include peak pre-Halloween production. Rowntree expects £18m in trading profits from Sunmark in 1987.

This would help North America, a weak spot in recent years, to contribute profits "of the same order" as those from Europe, including the UK, Rowntree said. In 1986, trading profit from North America fell to £34.7m (£37.2m), a shift more than explained by a £4.5m reversal in currency rates.

Trading profit rose to £47.9m (£45.3m) in the UK, £7.8m (£3.4m) elsewhere in Europe, and £4m (£2.3m) in Australasia, but slipped to £11.3m (£13.1m) in the rest of the world.

Rowntree was especially satisfied with the progress of the European business, which had begun to make a modest contribution to the group's net cash generation of £20m last year.

Lower rates reduced interest costs to £21.7m (£22m), despite an increase in net borrowing to £191.5m (£148.1m) at the year end.

After a tax charge of £17.8m (£18.6m), Rowntree reported profit of £66.2m (£60.7m). Extraordinary items of £11.3m (£16.5m) reflected costs of the continuing rationalisation of UK production.

Earnings per share crept to 35p from the adjusted 34.8p level in each of the two previous years, but the final dividend was increased to 9.2p (8.2p) for a total of 13.6p (12.2p). Rowntree shares slipped 1p to 497p

See Lex

Courts closing Australian loss-makers

By Ralph Atkins

Courts, house furniture retailer, is closing down its loss-making Australian operations.

The group announced yesterday that all of the 11 Australian furniture stores would be closed within a few weeks and sold off individually.

Courts said: "Trading there has been relatively poor over recent years and the economy in central and northern Queensland where almost all of the company's stores are located has been very depressed."

After liabilities there will probably be a small loss on the sale of Australian assets, but the group said it was unlikely to be significant for the group.

The group did not reveal the extent of the losses incurred by the Australian operations.

Unitycorp buys into Tor Investment

Unitycorp Trust, the former Weymss Investment Trust which was taken over by ATS Resources last June, which itself is now controlled by the Australian Unity Corporation, has acquired a 5.2 per cent interest in the capital shares of Tor Investment Trust, a Swansea-based split-level fund.

GUS stepping into hosiery

BY MIKE SMITH

Great Universal Stores is stepping into hosiery manufacturing. The catalogue shopping to high street stores group is buying sock maker Pantherella for £8.2m.

GUS's agreed offer values each share in the US Mquoted company at 205p. That compares with 170p on Tuesday of last week when the shares were suspended pending negotiations and 198p at last night's close.

Pantherella will join the fast growing Burberrys division of GUS. Mr Stanley Peacock, Burberry's managing director, said yesterday that the division had recently been expanding its range of products.

"We like to manufacture everything we sell, but until now we have not made socks," he said. "Pantherella have been supplying us for many years."

Pantherella joined the USM in May 1984 with a market capitalisation of about £3m. In 1985 it recorded pre-tax profits up 16 per cent at £761,000 on turnover of £4.6m.

Under yesterday's deal, GUS is offering eight new "A" (non-voting) shares and £95.16 in cash for every 100 ordinary shares in Pantherella. It has already received acceptances for 39.09 per cent

In 1985-86, GUS reported pre-tax profits of £297.7m on sales of £2,270m. The company said yesterday that trading this year was satisfactory. The "A" shares ended the day unchanged at £13⅜.

Belgrave £11m disposal

BY TERRY POVEY

Belgrave Holdings, the hotel and property company which has been gripped by controversy for the past two years, yesterday announced the sale of all its London hotels in a move to improve profits.

Mr Anant Rabheru, chief executive, said that the four hotels—the Julius Ceasar, Eden Park, Hyde Park Towers and the Kensington Inn—had been sold for £10.6m, a £1.4m premium over a recent valuation, to Park Hotels (GB) which currently operates them under a leasing arrangement with Belgrave. Park Hotels is a private company owned by the Raberhu family.

In November 1985, Mr Abdul Shamji was removed from the chairmanship of Belgrave after Johnson Matthey Bankers appointed receivers to his Gomba group and moved to sell its dominant stake in the property company.

Mr Raberhu commented that £4m of the proceeds would be spent repaying debt and the remainder would be used to acquire "good quality hotels which we, Belgrave, will operate ourselves." The hotels sold contributed rental income of £1.15m to Belgrave last year.

Tesco has 4.8% of Hillards

By Nikki Tait

Tesco, the supermarket chain which launched a hostile bid for Yorkshire-based Hillards on Tuesday, yesterday increased its stake from 4.2 per cent to 4.8 per cent, excluding the small pension fund holdings.

The group's finance director, Mr David Reid, also hit back at the circular to shareholders posted by Hillards yesterday, and said that the value of the bid put Hillards on a high prospective p/e and generally recognised Hillards' prospects.

Yule Catto set to quit in battle for Barrow

By Clay Harris

Yule Catto is poised to concede the battle for Barrow Hepburn to BTP, the rival bidder which said yesterday that it controlled nearly 43 per cent of the chemical and engineering group's shares.

The surrender may come as early as today, when Yule Catto is due to announce the latest level of acceptances for its own offer, which values Barrow at £28.3m against BTP's recommended bid of £31.8m.

Although it is still open for the chemicals, building products and plantations group to come back with new terms, it is known to be unwilling to do so.

Yule Catto does not believe that it can compete with the sharp rise in BTP shares in the wake of the chemicals group's controversial announcement that one of its products was capable of killing the AIDS virus outside the the human body.

Even if its bid ends in defeat, Yule Catto does not believe the three-month battle has been in vain because of improved market perception of its shares.

These slipped 7p to 323p, however, to value Barrow shares at 72.7p against yesterday's unchanged market price of 79p and the 82.8p level based on BTP's unchanged 186p price. Yule Catto is offering a cash alternative of 65p and BTP one of 70.38p.

Although it has recently raised its stake in Reabrook Holdings to 21 per cent, Yule Catto indicated yesterday that it was unlikely to mount an early bid for the aerosols and cleaning chemicals group because the rise in Reabrook's share price had outrun the improvement in its earnings performance.

Marler Estates steps in to help Ecobric

By Philip Coggan

MARLER ESTATES, the property company embroiled in the London soccer merger controversy, yesterday emerged in a new and unlikely role—as the saviour of Ecobric, the troubled demolition group.

Shares in Ecobric have been suspended from the Unlisted Securities Market since November 28, pending a rights issue which would enable the company to move into coal mining. Mr Michael Eaton, spokesman for the National Coal Board during the miners' strike, was brought in as chief executive.

But the rights issue had to be withdrawn and Ecobric has turned to Marler for new capital. The property group is believed to be taking a controlling stake in the company, via a subscription for new ordinary shares and convertible loan stock. Mr Eaton is not expected to continue at the company following the change.

Ecobric has no property interests to attract Marler although it is becoming increasingly common for demolition companies to tender for both the demolition contract and the land.

Marler provoked much controversy last month when it brought west London soccer club Queen's Park Rangers and announced proposals to merge it with neighbours Fulham and redevelop the latter's Craven Cottage ground. The deal was blocked by football's authorities and Marler is now negotiating to sell the Fulham name and players, although it still hopes to develop the ground in some way.

Tony Berry buys stake in Spurs

MR TONY BERRY, chairman of Blue Arrow and supporter of Tottenham Hotspur, has taken a 4 per cent stake in the football club.

He has bought 400,000 shares at 110p each. Shares in the club closed yesterday up 3p at 98p, the nearest they have come to the offer price of £1 when the club joined the stock market in 1983.

Mr Berry was born within a few miles of the football club and has supported it since he was six. He played for the team as an amateur in the 1950s.

He will join the board as a non-executive director advising on corporate development rather than football.

His family are also Spurs supporters. "If my father was alive today he would say that to be chairman of Blue Arrow is really good, but if you're on the Spurs' board you've really made it," he said.

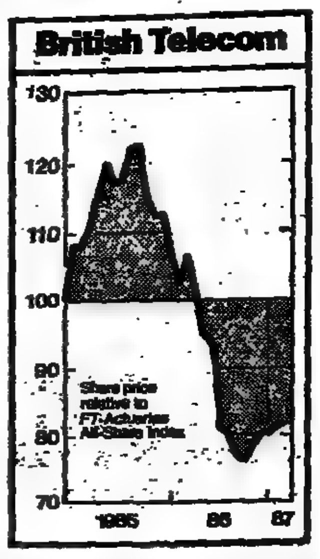
YEARLING BONDS totalling £2.65m at 9¼ per cent, redeemable on March 16 1988, have been issued by the following local authorities. High Peak District Council £0.5m; Newport Borough Council £1m; Hillingdon (London Borough of) £0.5m; Metropolitan Police District (The Receiver for the) £0.5m; Wansbeck District Council £0.15m.

More calls boost BT by 12% in third quarter

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

STEADY GROWTH in the volume of telephone calls contributed to an 11.9 per cent jump in pre-tax profits at British Telecom in the third quarter to the end of December. Turnover rose by 13.3 per cent to £2.39bn, from £2.11bn.

The figure, up from £452m to £506m came after an interest charge which climbed slightly to £72m (£68m). After tax of £188m (£184m), earnings per share amounted to 5.1p, against 4.2p, broadly in line with market expectations.



In the first nine months of the year, total pre-tax profits rose by 11.8 per cent to £1.51bn (£1.35bn), while sales jumped by 13.6 per cent to £7bn, against £6.16bn. Earnings per share amounted to 15.3p, against 12.7p.

Mr Graeme Odgers, deputy chairman, said that the company was looking forward to satisfactory results for the year as a whole, despite the recent engineers' strike, which would be accounted for in the final quarter. "Our tails are up," he added.

The figures reflect several changes in BT's business in the last 12 months, resulting from acquisitions. These include Mitel, Canadian-based office switching system manufacturer, CTG, Dialcom and International Aeradio, a group of activities which had sales of £201m in the nine months period and net losses of £18m.

Rental income in the nine months was exceptionally strong, rising by 12.5 per cent to £2.29bn. There was strong growth in demand for business exchange lines and private circuits, influenced to some extent by the deregulation of the London financial markets.

Telephone call income at £3.68bn grew by 10.2 per cent. Underlying volume went up by 7 per cent for inland calls and 11 per cent for international calls.

Staff numbers in the basic telephone service fell by 3,900, roughly in line with recent declines of about 5,000 a year, which BT expects to maintain over the next few years.

BT said the Mitel, which suffered heavy losses earlier in the financial year, broke even in the third quarter and was now expected to show steady improvements in its results.

Mr Odgers said that the group was still behind in its plans to instal new digital telephone exchanges in the UK, but added that it expected to put in 2.5m lines in its next financial year.

In the first nine months of this year, the company spent £363m on digital exchanges, out of a total capital investment of £1.53bn.

● comment

BT has once again demonstrated the predictability of a very large company operating in a semi-monopoly market, rolling out a set of figures which surprised virtually no-one. Even the fourth quarter strike will apparently not hit earnings, quite the contrary, so the main question on the labour front remains the group's ability to cut costs by shedding labour. Otherwise, BT has trimmed out the losses at Mitel, is continuing to grow at about 11 per cent a year, and is generating enough cash to finance its heavy expenditure on new digital exchanges without posing any evident balance sheet worries. The figures suggest a degree of comfort that hardly seems to be reflected in its market rating of 242p, down 4p yesterday. With profits likely to come out at a little more than £2bn for the year, the prospective p/e stands at about 11.7, substantially down from the prospective p/e of approximately 15.5 of a year ago. Fears of Labour's renationalisation threats lie behind the re-rating, but after the Greenwich by-election it is increasingly difficult to see the justification for it.

GRA shares up on approach news

BY NIKKI TAIT

SHARES in GRA Group, the greyhound-racing organiser, jumped 7½p to 106p yesterday on an announcement from the company's broker, Astaire, that an approach had been made which might lead to a bid for the company.

GRA has been the subject of considerable speculation in recent years. Although the company's profits are modest—in the six months to end-April 1986, the pre-tax figure was £548,000 and no dividend was paid—GRA owns a number of stadia.

These assets have brought attention from many of the larger food retail chains in the past, including Dee, Sainsbury and the Co-operative Wholesale Society, which entered a provisional agreement for GRA's Slough site last September.

Yesterday, no one was available at the company to comment on the announcement and Astaire said it had no information about the bidder.

However, the brokers did confirm that the syndicate of holdings—which include those of Mr Isadore Kerman, GRA's chairman and the two McAlpine families—are still "broadly in place;" at one stage these accounted for about 29 per cent of GRA's shares. Astaire clients also have sizeable holdings, though these are now under 20 per cent.

BOARD MEETINGS

TODAY

Interims: Michael Peters.

Finals: Invergordon Distillers, Spirmore Holdings, James Wilkes.

FUTURE DATES

Interims:

Bermuda International Bond Fd	Mar 27
Kalamazoo	Apr 16
North British Canadian Inv	Apr 6
Pressac	Mar 24

Finals:

Anit and Wiborg	Mar 18
Automated Security	Mar 25
Baaro Industries	Mar 25
Bemrose Corporation	Mar 25
Booker	Mar 23
DRG	Mar 18
Fitch & Co Design	Apr 7
Forward Technology Industries	Mar 23
Martin Currie Pacific Trust	Mar 23
Northern Engineering Inds	Mar 25
Rugby Portland Cement	Mar 23
Steel Burrill Jones	Mar 25
Sunleigh Electronics	Mar 16
Willis Faber	Mar 24

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Antler	2‡	May 21	—	3	—
Appleyard	5.25	—	3.5	7	5
William Bedford	3‡	April 30	3	4.5	4.5
Cattle's (Hldgs.)	1.48†	May 8	1.08	2.4	1.8
Wm Collins	6.65	June 7	5.88*	9.25	7.75*
CSC Trust	5.75	—	5.75	9.35	9.35
Euro. Home Products	2.5	May 11	—	2.5	—
Glynwed	6.5†	July 2	5.4*	10.1	8.4*
W & R Jacob	4.7‖	—	4	7	6
Mitchell Cotts ...int	Nil	—	1.5	—	1.5
Next ...int	1.5†	July 1	1.3	—	5
PMICOM	0.3	June 1	0.75	0.5	1.1
Rowntree Mackintosh	9.2	—	8.2	13.6	12.2
Sharpe & Fisher	2.25	May 29	1.72	3	2.33
Steckley	2	—	Nil	2	Nil
Tyne Tees TV	25¶	May 11	10.18	18.75	13.13
World of Leather	3‡	May 11	Nil	3	Nil

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Current accounting period is 17 months. ‖ Irish pence throughout.

UK COMPANY NEWS

DIY and building supplies boost Sharpe & Fisher

SIGNIFICANT progress both in its DIY stores and its building supplies interest allowed Sharpe & Fisher to report pre-tax profits up substantially from £2.2m to £3.3m in the year to December 31 1986. During the period turnover moved ahead from £50.4m to £60.9m.

Mr Roy Stringer, chairman, said that the group's Sandfords DIY stores had had another record year, with profits up from £1.4m to £1.9m on turnover of £26.6m (£19.7m).

New stores had been opened in Redditch and Droitwich and all initial costs had been written off in 1986. The new stores consolidated Sandfords' position as a strong regional chain and increased total selling space by more than 25 per cent.

The additional space together with a good volume growth from the existing stores had been responsible for that sector's sales increase, according to Mr Stringer.

Current development plans should result in a further 30 per cent increase in selling space and the chairman anticipated another good year for the division.

Mr Stringer said the building supplies company had had a much improved year, showing profit up from £756,000 to £1.4m. This had resulted from improved demand in the building industry and from the reorganisation carried out.

He added that the return on sales in 1986 had not reached the level at which the company had been aiming, although the results were encouraging and he was confident about 1987 which had started well.

The sale of the company's Hereford development site had resulted in a surplus of £127,000.

Tax charegs rose from £788,000 to £1.2m, after which earnings per share emerged 3.8p higher at 10.8p. The proposed final dividend is 2.25p (1.72p), making 3p (2.33p) for the year.

All-round rise lifts Cattle's 33%

ALL AREAS of Cattle's (Holdings) contributed to a 33 per cent pre-tax profits advance for 1986 with Shopacheck Financial Services leading the way.

Turnover for the year pushed ahead from £94.98m to £97.02m—apart from financial services the company's interests take in retailing and merchandising as well as insurance broking.

Profits at the pre-tax level rose from £2.72m to £3.61m and with earnings working through 1.65p higher at 5.05p shareholders are to receive a 0.6p lift in their dividend to 2.4p net via a final of 1.475p.

A scrip issue on a one-for-five basis is also proposed.

The consumer portfolio previously handled by Cattle's Holdings Finance was transferred to Shopacheck during the year, and development of non-collected business from the company's branch network progressed well.

The directors said yesterday that promotional campaigns to strengthen the customer base were extremely successful. Furthermore, the ratio of the bad debt charge to customers' accounts again improved.

The company's merchandising arm had a very successful year and in addition continued to develop the concept of offering mail order catalogue facilities.

The hire purchase and leasing division achieved a lower cost base, while the reduced volumes of business reflected concentration on good quality industrial and commercial business and the almost complete withdrawal from the used car market.

The newly-formed licensed deposit-taking subsidiary had a satisfactory year while the insurance broking side traded profitably—further expansion is planned.

The directors pointed out that last year's poor performance by Rosebys was due to the absorbtion of the 24 outlets acquired in 1985 from the receiver of Sherrys.

They noted, however, that this acquisition was beginning to prove beneficial and said that during the latter part of the 1986 year made a positive contribution for the first time.

Record £2.6m by Appleyard

Appleyard Group, a North Yorkshire-based motor trader, turned in record pre-tax profits up from a restated £1.88m to £2.6m in 1986. Group turnover moved ahead from £162m to £176.3m.

Mr Ian Appleyard, chairman, said that the excellent organic growth of the past three years would continue during 1987 and suitable acquisition opportunities would be pursued with vigour.

Last October a concert party headed by T. Cowie, a Sunderland-based motor distributor, built up a 10.37 per cent stake in Appleyard before failing to come to an agreement with it over a merger.

Mr Appleyard said that costs of closures—£63,000 this year, £201,000 in 1985—were now being taken above the line, which explained the restating of last year's profits. He added that as a result of last September's rights issue, the company's gearing at the year end stood at 3 per cent.

Profit by sector amounted to: cars and vans, £2.4m (£1.9m); trucks, £452,000 (£333,000); fuel oil, £187,000 (£229,000), contract hire and leasing, £520,000 (£451,000); less unallocated costs and interest not charged to trading operations, £963,000 (£1m).

Operating profit totalled £3.3m (£2.8m) and the share of profits from associated companies was £520,000 (£451,000). Interest and stock finance came to £1.1m (£1.2m).

After tax of £146,000 (£59,000), earnings per share worked through at 28.2p compared with 21.6p last time. The proposed final dividend is 5.25p (3.5p), making 7p (5p) for the year.

Operating costs dent William Bedford profits

William Bedford, USM-quoted antique dealer and restorer, saw its pre-tax profits for the year to December 31 1986 hit by a rise in operating costs. Profits fell from £938,151 to £759,348 on turnover ahead from £2.9m to £3.3m.

Operating expenses had included substantial non-recurring expenditure involving start-up costs at the company's new London showrooms during the latter half of the year, the major work on redecoration and refurbishment of the secondary sales area, and a substantial rise in the advertising budget.

The chairman said that the first half had proved difficult for the antique trade, but the company had recovered in the second half to show an increase over the first six months of about 14 per cent.

In the last six months of 1986 sales had been 43 per cent higher than the comparable period in 1985. This trend had continued and the company had made a strong start to the current year which the chairman expected it to maintain.

During 1986 exports had shown only a small increase, while the main growth had come from an increase in home sales.

Tax charges took £270,562 (£392,575) and earnings emerged at 10.2p (11.9p) per 5p share. The proposed final dividend is 3p (3p) making an unchanged total of 4.5p.

Bejam halfyear

The overall impact of equipping freezer centres to take more non-frozen food lines had been most favourable for the Bejam Group. In yesterday's report on the halfway figures, a typographical error gave the impression that this was not favourable.

Intermediate Sec.

Intermediate Securities, a Cayman Island investment company, and parties acting in concert now own 89 per cent of Howard & Wyndham, which holds large minority stakes in publisher W. H. Allen and the jeweller, Ciro.

The offer, which values H&W at £3.28m, has been extended until March 30. Shareholders on Friday approved a 200-for-one consolidation of the company's ordinary shares.

SMALLER Companies International Trust has arranged an unsecured, fixed rate, sterling bank loan of £8m for 10 years at an interest rate to be fixed on the date of advance. The proceeds of the loan will be invested in UK equities and convertibles. A dividend of not less than 1p is proposed for the year to March 31 1988.

Public Works Loan Board rates

Effective March 11

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
1	—	—	9¼	—	—	10¼
Over 1 up to 2	9¼	9¼	9¼	10¼	10¼	10¼
Over 2 up to 3	9¼	9¼	9¼	10¼	10¼	10¼
Over 3 up to 4	9¼	9¼	9¼	10¼	10¼	10¼
Over 4 up to 5	9¼	9¼	9¼	10¼	10¼	10¼
Over 5 up to 6	9¼	9¼	9¼	10	10	10
Over 6 up to 7	9¼	9¼	9¼	10	10	10
Over 7 up to 8	9¼	9¼	9¼	10	10	10
Over 8 up to 9	9¼	9¼	9¼	10	10	10
Over 9 up to 10	9¼	9¼	9¼	10	10	10¼
Over 10 up to 15	9¼	9¼	9¼	10	10¼	10¼
Over 15 up to 25	9¼	9¼	9¼	10¼	10¼	10¼
Over 25	9¼	9¼	9¼	10¼	10¼	10¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Mitchell Cotts reiterates optimism

ALTHOUGH profits from Mitchell Cotts have fallen by *nearly 53 per cent to £1.18m in* the first half, they represent a substantial improvement over the latter part of 1985 and the group still expects a significant recovery by the end of the year.

In the market yesterday the shares rose 4p to 59½p.

The interim dividend is being passed (as was last year's final) as the group considered it more prudent to consider payment when the results of the full year were known. The 1985 *interim was 1.5p.*

The extent of the profit recovery depended in part on out*side factors, such as currency* movements and tea prices, it was stressed.

*Mr John Storar, the chair*man, said progress continued to be made in reducing overheads and *restructuring the group to* concentrate activities into four principal business sectors — speciality chemicals, a defined range of engineering products, transportation including freight forwarding, and specialist engineering consultancy.

In the half year ended December 31 1986, turnover moved up to £176.9m (£167m) while the pre-tax profit came out at £1.18m, against £2.5m.

This year, £731,000 develop*ment* expenditure was charged to profits; previously that provision was written off as extra*ordinary, and the 1985 profit* had been adjusted accordingly.

Mr Storar said the results were *not really indicative of* the substantial recovery taking place, and the comparisons between the two half years was distorted by the exceptional level of profits earned by the *chemicals division in 1985.*

Current indications for the second half were for a con*tinuing and accelerating re*covery in operating profits. All UK operations were firmly in *profit and collectively would* earn more than last year.

The Van Rymenant group in Belgium looked like returning better figures and operations in East and Central Africa, at least in local currency, were making encouraging progress.

Air Market Express and Nina Ricci in Hong Kong were trading well and should return satisfactory profits for the full year.

Australian and South African operations still posed problems, but when steps being taken were concluded, the erosion in group profits would be ended.

After tax £769,000 (£1.56m) and minorities £142,000 (£149,000), the net profit was *£273,000 (797,000)* for earnings of 0.26p (0.85p). There was also an extraordinary charge of £2m (£3.95m).

● comment

While Mitchell Cotts could see pre-tax profits of £7m this year, the high tax charge plus the already established extraordinary charges of £2m will leave very little to pass on to shareholders. Even a ½p dividend would consume £4.8m, so the prospects of anything other than a miniscule final payout look very slim indeed, which has to be bad news for a company that was once a prime revenue stock. What is equally *disturbing* is the alarming swing in profits within what are described as the core businesses. *Speciality Chemicals* turned from a strong £2.6m in the first half of last year to a weak £900,000 *this time.* And those who thought that the year and red ink marked the last of provisioning for the Australian and South African disasters were no doubt taken aback by another £5m worth taken in these figures — partially offset by the net £3m from the sale of the company's head office. Even if 1987-88 sees a return to a better attributable profits trend the problem of the over-valued African assets will remain. Borthwicks took five years to save and had to have its management changed and its capital reduced to fund a massive write-offs programme; TKM got a major capital injection at par and new management from Ron Brierley. Which route will Cotts take to re-balance its capital base?

European Home ahead of forecast at £4.8m

European Home Products, which distributes Singer sewing machines and electrical products in Europe, yesterday reported pre-tax profits for 1986 of £4.8m. A forecast of at least £4.4m was made in September at the time of its undersubscribed offer for sale.

The comparative profits *figure of £949,000* was for the period from incorporation, May 20 1985, until December 28 1986. The group effectively started trading on July 19 1985.

The directors are recom*mending* a single final dividend of 2.5p. This will be paid from earnings of 14.2p (2.8p) per 5p share. Earnings forecast was 13p.

Turnover stood at £125.93m for 1986 against £32.89m, and Mr E. F. Gittes, the chairman, said the early results for the current year indicated that the strong performance would continue.

The proportion of group sales accounted for by domestic sewing machines fell to 41 per cent, but the absolute value of their sales and margin increased, he added.

In February the company exercised its option to buy Singer's Italian retailing and distribution operations. Both the consumer business and industrial business there made significant contributions to group results.

The group's two major strategies of expanding the retail network and widening the product range had met with success, the chairman said. By year-end the retail outlets had increased by 25 to 386, of which *three* were trading under the Excel name in Italy and two under the Idee label in the Netherlands.

Operations in Germany and Austria achieved a trading profit after many years of losses.

The industrial business, renamed the Garment Machinery *Group,* maintained profitability despite the negative impact of the strength of the yen, its *major purchasing currency.*

The chairman said the failure of the UK consumer business to *achieve a profit* in the second half had been disappointing, but losses had been reduced, and *initial results in 1987* were encouraging.

Tax took £1.2m (£485,000).

● comment

The shadow of EHP's flotation flop has lingered over the remainder of its first full year of operation. However, it hasn't stopped the company comfortably exceeding its own pre-tax forecast and winning some credibility in the process. This was largely due to a policy of reducing dependence on the Singer brand name, achieved through a combination of introducing new consumer-durables to the Singer shops, and pilot stores in Europe for the new shop identities Edee and Excel. The UK is less important for EHP than Europe, which accounts for 92 per cent of sales, with Spain, Portugal and Italy contributing 51 per cent. While progress was made, the management narrowly missed its target of bringing the UK's loss-making arm back to profitability. EHP is set to continue its policy of adding to retail outlets and extracting itself from low-margin areas such as mail-order. Around £6½m is expected this year, which produces a prospective p/e of around 12 on a share price which closed up 15p at 186p.

Glynwed up 30% after boost by acquisitions

Glynwed International lifted pre-tax profits by nearly 30 per cent from £35.6m to £46.1m in the year to December 27 1986, helped by a strong second half when profits jumped £7.3m to £26.8m. Acquisitions made during the year contributed more than £5m to profits.

Turnover for this Birmingham-based company improved from £464.1m to £478.9m, with the UK and Europe up 3.4 per cent to £443.4m and overseas sales unchanged at £35.5m.

Mr Gareth Davies, the chairman, said the main feature of the year had been the continued improvement in the core businesses together with a series of strategic acquisitions and divestments which had led to a restructuring of the group into three international operating divisions from the beginning of 1987.

Present indications were that 1987 had started well and the chairman was confident of further progress during the year.

An *improved final dividend* of 6.5p (5.4p adjusted) is recommended, making a total of 10.1p (8.4p *adjusted) for the* year. Earnings per share moved ahead from 22.15p to 27.47p.

The chairman said the US results were poor, with only Enfield and ASE reporting reasonable profits, while the continued deterioration in the South African *economy and in* trading conditions left Falkirk Industries with a £1m loss.

The pre-tax result *was struck* after lower interest charges of £2.7m (£4m). Tax was higher at £16.1m (£12.8m).

Net cash flow for the year was £8.5m, which further reduced the net debt to *£7.6m*

● comment

Poor old Glynwed. Years of careful management have transformed the company from a debt-ridden metal-basher into a diversified industrial conglomerate with good cash flow, low gearing, high return on assets and extremel ysolid earnings per share growth. The problem area is the unsaleable *rump of* the old South African operations. But even after yesterday's 10p rise in the share price to 396p, the prospective p/e, assuming pre-tax profits of around £58m this year, is an unglamorous 12.5. The *company* was full of charts yesterday illustrating that half its turnover is in the construction *and consumer* products industries, and it even produces the Aga, the Yuppies' favourite cooker. *But it* seem likely, that Glynwed will attract attention only if it makes an aggressive bid. *Specialist* plastics is the target area for acquisitions, but given the careful approach of Mr Davies, agreed deals are the likely route. The group might not get the *rating it* deserves for a little while yet.

World of Leather up slightly

World of Leather, a retailer of upholustered leather furniture, reported a slight improvement in pre-tax profits from £1.2m to £1.25m in the year to December 31, 1986. Turnover rose from £9m to £11.6m.

The directors said that the results were affected by adverse currency movements and delays in opening new stores. The bulk of orders taken were not included as sales and the heavy initial overheads in the opening of only three of the planned seven new stores for the year had a significant negative effect on the profit.

The proposed dividend—its first since coming to the USM in November 1985—is 3p.

Laidlaw Thomson

Laidlaw Thomson Group, USM-quoted architectural ironmonger, increased its 1986 profits before tax *from £758,000 to £897,000 and is raising the* dividend for the year by 0.45p to 4.2p net via a final of 2.8p.

Trading in 1987 was closely in line with directors' expectations and was showing growth over the corresponding period of the past year. Turnover for 1986 totalled £18.86m (£15.16m).

Tyne Tees to enfranchise A shares and plans listing

BY NIGEL CLARK

Tyne Tees Television Holdings is following the industry trend and *planning to enfran*chise its 'A' non-voting shares. And at the same time it is con*sidering moving up to the main* market.

The proposals are being sent *to shareholders at the end of* the month and it is hoped both moves will be completed by the *late spring.*

Mr David Hellewell, finance director, said the USM-quoted company *was now of a size* where it should have a listing and the enfranchisement would help the *marketability of the* shares.

The company also announced *its results for 1986* yesterday revealing pre-tax profits of £4.21m against £3.19m for the previous 15 months. The shares added 52p to 482p making a *rise of 122p in the past* week. The earlier rises were put down to bullish press comment.

Turnover was £51.45m against £60.53m. Earnings per £1 share came out at 51.35p (32.76p) and *the directors are proposing* a final payment of 15p (10.125p), making a total of 18.75p *(13.125p).*

Advertising revenue and programme sales continued to *grow, the company said, particu*larly extracts from The Tube and Supergran. Overseas sales *increased from £500,000 in the* previous 15 months to £750,000 in 1986.

The present year had started well with advertising ahead of last year.

Phicom profit at £403,000 after disposals

Phicom ended 1986 with profits falling from £2.11m to *£403,000, and is paying the fore*cast final dividend of 0.3p net, which cuts the total from 1.1p *to 0.5p.*

Group activities were now concentrated in the life sciences division, a specialist maker and distributor of equipment and instruments used mainly in medical laboratories.

That division pushed up *its* turnover from £13m to £14.57m and operating profit from £950,000 to £1.06m in the year.

The second half of the year witnessed the sale of the data communications side, with turnover £6.88m (£19m) and loss £565,000 (profit £2.2m), and the electronics enclosures division —turnover £6.59m (£13.47m) and profit £48,000 (loss £554,000).

Interest charges were cut to £46,000 (£491,000) reflecting earnings on the cash sale proceeds. After tax £226,000 (£743,000) the net profit came to £177,000 (£1.37m), well short of covering the £205,000 preference and the £287,000 (£630,000) ordinary dividends.

There was also an extraordinary charge of £2.26m (£1.64m) reflecting the costs and provisions associated with the two disposals.

W & R Jacob well up

A YEAR *of* considerable progress was yesterday reported by W & R Jacob, the Dublin-based biscuit manufacturer and dis*tributor of food products.* Pre-tax profits rose from I£1.06m to a record I£2.1m, but turnover *showed only a modest* improvement from £58.1m to £58.45m.

The final dividend is raised from 4p to 4.7p net for a total *of 7p (6p on old capital).* Earnings per 25p share improved considerably from 11.6p to *20.9p.*

The directors said the increase in profits in 1986 was earned despite the difficult and uncertain economic environment that prevailed.

Imtec deficit reduced to £549,000

*THE Imtec Group, a USM com*pany involved in manufacture and marketing of computer *equipment, reduced its pre-tax* losses from £991,000 to £549,000 in the half-year to September 30 1986. *Turnover fell slightly* from £4.39m to £4.14m. No interim dividend is again being paid.

The directors said trading conditions during the current year have been difficult with a continued decline in the markets for the group's mature coated paper reader printers.

They said the AO systems camera was achieving an upward trend of sales at improved prices.

Imtec is to be merged with Harper and Tunstall, and Laser-Scan International. Outline agreement has been reached and shareholders will shortly receive a document.

On July 16 last, an agreement was executed by the company and a US corporation owned, in part, by the executive management of Imtec Information *Systems, the US subsidiary of* the company, for the sale of the net assets of Imtec Information *for a consideration of £1.8m,* with an indicated completion date of September 30 1986.

Completion was not made on that date, and the directors agreed to defer completion until the *first quarter of 1987.*

The half-year losses included an exceptional item—cost of *redundancies and closure of the* Bristol office—of £45,000 (£74,000). No tax was payable against £2,000. The *net loss* per share was down from 9.71p to 3.4p.

Bulmer denies approach rumours

H. P. Bulmer, the cider company whose shares have gained around 50p to 201p during the past four weeks, yesterday denied rumours that it has been approached by a potential bidder. The group's finance director, Mr Richard Hollis, added yesterday that there was no evidence on any build-up in the company share register.

Family holdings account for about 55 per cent of Bulmer's shares and Whitbread Investment Company holds a further 5.5 per cent.

Perpetual's placing brings market valuation of £45m

BY PHILIP COGGAN

MR MARTYN ARBIB is set to make more than £10m from the flotation of his unit trust man*agement group, Perpetual,* on the main market. Cazenove is leading a placing which values the group at £45m.

Exactly 6.25m shares, 25 per cent of the equity, are being *placed at £1.80 each. The vast* majority—5.9m—is being sold by Mr Arbib, with hte rest be*longing to the Arbib founda*tion, a registered charity.

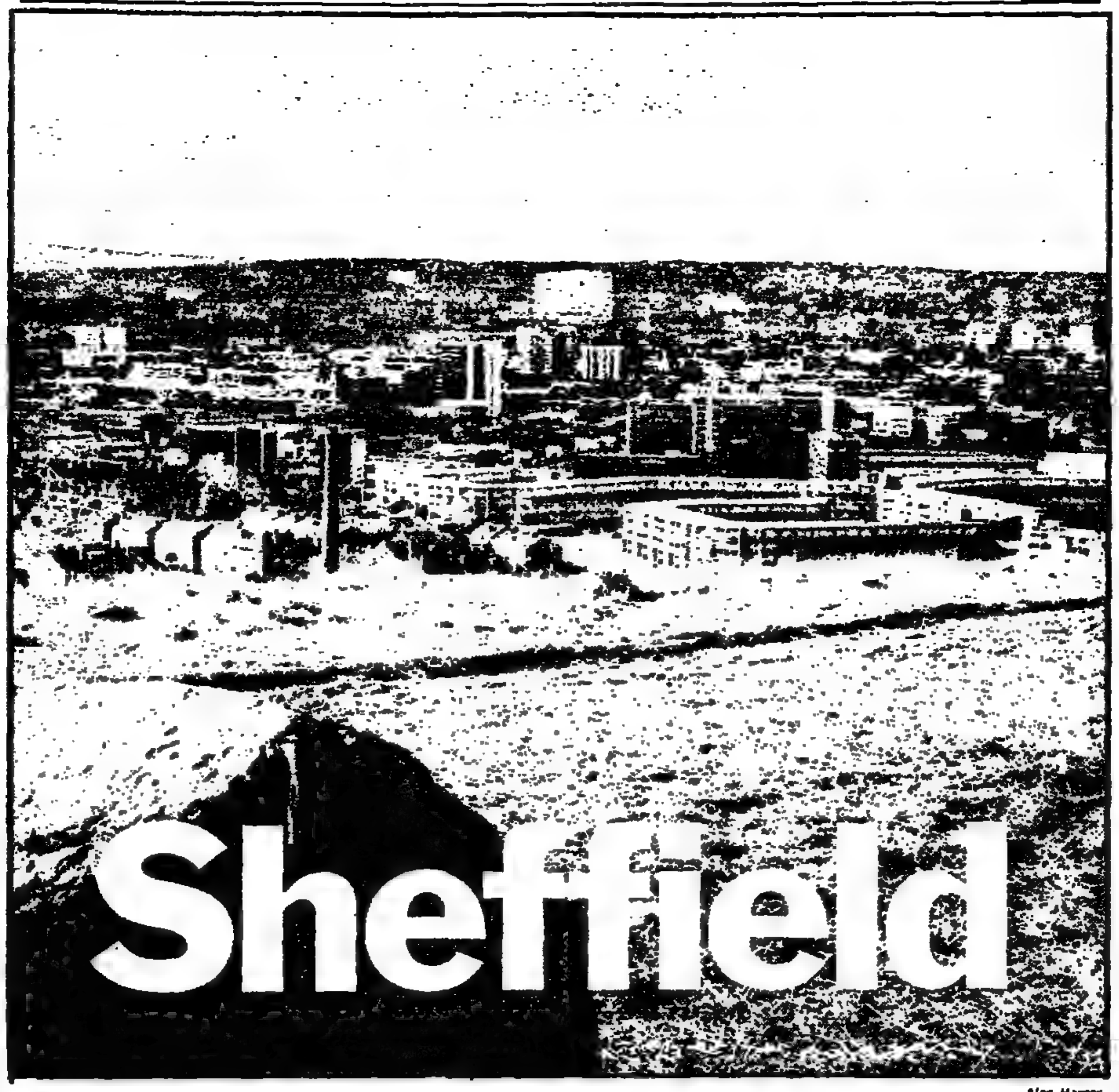
No details are given in the *prospectus of Mr Arbib's salary* but it is stated that the seven directors' overall remuneration in the current year will not exceed £890,000. Mr Arbib will retain 76.2 per cent of the company.

The group was founded in 1974 and it now manages more than £500m of funds, the bulk of which is invested overseas. In the past financial year, the pre-tax profits were £4.35m, up from £1.3m in the previous year, making the fully diluted historic p/e 16.8 at the placing price.

Perpetual, which is based in Henley, achieves just over half of its profits from sales of units, with the majority of the rest coming from management fees. It currently runs seven UK authorised and five Jersey-based offshore trusts.

FINANCIAL TIMES SURVEY

The cold war between the Labour city council and Sheffield's business community is over. The two are collaborating to shape a new future in the wake of economic collapse and the loss of much traditional industry, but the creation of an enterprise culture may be a long job.



Alan Harper

CONTENTS

Fighting back in harmony

TWO WEEKS ago—and 10 years after its formation—BSC (Industry), the job-creation company formed by British Steel to ease the socio-economic shock of steel closures, opened a regional office in Sheffield, the city long regarded as the traditional heart of Britain's steel industry.

But is it? Like so many of Sheffield's images, this one is only partly right. In the local business community people point to other images that they say are half-wrong, too—like that of the city's hard-left Labour council. This is not inner London, they say, and everyone should try harder to set the record straight.

Much that has happened in Sheffield explains the late arrival of BSC (Industry). In part, it is because Sheffield's real economic travails did not begin until 1980. Indeed, the Engineering Employers' Sheffield Association (EESA) enjoyed a continuing rise in membership from 240 companies in 1976 to 300 in 1979.

Mostly, these were not steelmakers, but fabricators and engineers: manufacturers who used various steels as their raw materials. Most "Sheffield steel" was—and still is—made in neighbouring Rotherham.

When the recession came, EESA's membership soon reflected the cataclysmic scale of economic collapse, with numbers tumbling back below the 240 mark by 1982, and crashing to 190 in 1985. Manufacturing employment plummeted from more than 300,000 people to only 58,000.

Today, 15 per cent of the population—about 46,000 people—is unemployed. Nevertheless, membership of EESA is on the up again; admittedly by only a couple of companies in 1986; but Neil Kippax, the association's secretary, says that bigger gains are expected this year.

Coincidentally, on the day of the BSC (Industry) opening, came the exception that proves the rule as far as the collapse of old Sheffield industry is concerned.

G. W. Thornton, which makes specialised castings for the aerospace and medical engineering industries, is floating part of its equity on the Unlisted Securities Market to raise capital for further expansion in its specialised markets.

Thornton's advisers include the local office of Ernst and Whinney. John Kirkham, one of the partners, explains that the company is not typical of the general run of old Sheffield industry. It saw the writing on the wall about 20 years ago—when its main business was casting blanks for the now-disappeared cutlery makers.

Mr Kirkham says: "This was exceptional. Historically, Sheffield got into its current situation because too few in the old family-run industries saw the recession coming and made any provision for it."

Peter Scaman, of Peat Marwick Mitchell, supports this view: "There was a characteristic family domination of old industry—no investment, heavy capitalisation, heavily borrowed with no wish to change. Suddenly they were out of business."

Many companies that did not actually go under struggled to survive. Such times bred an every-man-for-himself climate of desperation, and did little to promote a sense of community.

Roger Thackery, of BSC (Industry), thinks that the degree of social turmoil has been profound. "The sort of unemployment we are facing today is of structurally fundamental changes in the economy. It is more akin to what went on in the industrial revolution," he says.

From its catacylsm of collapsing capitalism emerged a city council that was harder left than Sheffield had seen before. It saw public sector spending as an answer, creating public sector jobs and leading to regeneration.

It also felt it could do it all itself. Sheffield, already constrained by geography from developing into a broader-based conurbation, became a city state within what some Labour activists proclaimed as the "people's republic of south Yorkshire."

The industrial development office went, rates went up, bus fares came down. The business community—already reeling under economic pressures—fulminated.

Yet most people in Sheffield ackowledge that the cold war between the business community and the city council ended at least a year ago. The vital step in the council's acknowledgement that it could not manage alone is seen by many as the decision to set up a development office in the city centre.

This opened in January and is staffed by council secondees. It is where the industrial and commercial property register is kept. The private sector is stocking the display shelves with its material, too.

John Hambridge, director of Sheffield, Chamber of Commerce, says: "They tried to run a siege economy and failed. The development office is an acknowledgment that they cannot act alone."

Dan Sequerra, the city council's director of employment and industrial development, offers another perspective: "The private sector was fragmented and had no clear view of how the future of Sheffield was panning out. There is now more recognition in the private sector of the need for everyone to work together."

Mr Hambidge adds: "What we have seen happening is a recognition of each other's position. There will be areas where we will never agree and we may have different ways of achieving the same goals. But by talking to each other and getting away from megaphone diplomacy we have discovered very much more common ground than things that divide us."

BSC (Industry)'s Roger Thackery sums up the one realisation that provides the most common ground of all. "If we are going to have regeneration and growth, it has got to come from within the community," he says.

His colleague Vernon Smith, who runs the new office, produces figures that exemplify the scale of Sheffield's shut-out of external help in the past. Faced with antipathetic attitudes, the job-creation company just got on with its work elsewhere, so that of 2,300 businesses helped in its 10 years of life, only 112 have been in the area.

Mr Sequerra—who left a national trades union post to take up his job as the cold war was beginning to thaw—forecasts much more "networking" among all agencies to pull things together now.

The forging of one link in the network actually began at the BSC (Industry) office opening when Barrie Briggs, the new chief executive of Sheffield Business Venture (SBV), the local enterprise agency, made contact with Councillor Helen Jackson, who chairs the employment and economic development committee.

The network which Mr Sequerra hopes to see develop includes the development office, SBV, BSC (Industry), the chamber of commerce and the whole financial and professional services sector in Sheffield. He sees it "enhancing the transferability of skills" in the city into new and growing businesses.

There is, however, a problem, summed up by Mr Kirkham, of Ernst and Whinney: "This city is very different from many others in the North. Sheffield is not a commercial place like Leeds or Manchester. It may be the fourth largest city in England but it has the lowest population of managers. It is a place of manufacturing industry and workers."

David Blunkett, leader of the council, says that Sheffield is not a proletarian city but an artisan one. The hope is that it will be easier for skilled workers to transfer to other things than it would be for the unskilled.

But Jonathan Hunt, chairman of SBV and a leading commercial lawyer, warns: "I think our skills are transferable, but the one thing we have not got enough of is the chap who wants to have a go. The problem is fundamental and has to be tackled at the educational level."

He thinks that establishing an enterprise culture is going to be a long job. There is even a shortage of the smaller industrial units and easy-let office space that should be part of the chicken-and-egg process.

Meanwhile, there is wide support for investment in the devastated Lower Don Valley, for the city centre science park, for a local airlink with London, and for an all-weather route across the Pennines to Manchester, only 35 miles away. Mr Blunkett pleads for understanding and investment.

He also hopes that the city will be awarded the world student games of 1991. By then we should have some answers.

Ian Hamilton Fazey

SHEFFIELD 2

City Council leader David Blunkett likens the local crisis to the national predicament

'Divided, yet with a sense of affinity'

Ashley Ashwood

ATTEMPTING TO talk local politics with Mr David Blunkett, Sheffield City Council's charismatic Leader, is rather like asking Mrs Thatcher to explain how Finchley works.

Mr Blunkett doesn't, as yet, have a constituency beyond the Town Hall and the policy-making caucus of the Labour Party. But his modulated exposition is the voice of Labour's moral crusade, eight years into Tory rule.

Mr Blunkett's strength lies in equating Sheffield's crisis with the national predicament. When he describes a goverment whose "clear ideological stance" is a denial of local and central democracy, so as to "ease the operation of the marketplace," one thinks of the Lower Don Valley less than a mile away—abandoned by industry, market and, or so it seems, by Whitehall.

"We are looking for a government which acts as an enabler and a protector, not as a direct provider," says Mr Blunkett. He believes that the same simple questions need to be asked as were raised at the turn of the century, when local government, in partnership with private enterprise, helped create the municipal services of modern civilisation.

Mass unemployment, deprivation, lowering of wages, urban decline, are all—claims Mr Blunkett—acceptable to Mrs Thatcher if the end result is a more prosperous Britain.

"I think this is an outrageous economic and social outlook, which leads to the politics of despair," laying the blame on individuals for not operating vigorously enough.

David Blunkett's believes that, given that much employment is controlled by multinationals, the local community must become a countervailing force to transnational finance. And, given that accountants rather than industrialists run industry, people must understand that past progress came from the encouragement of ideas and skills in the community.

"Backing that enterprise and making it work for people as a whole, rather than groups of individuals, is the key task, and I don't think it is beyond us." The main thing was to use capital constructively.

In this harsh new world of the 1980s, is Sheffield a special case or merely another, problematical, regional city?

"I think the disaster has been greater than most people ouside Sheffield appreciate," Mr Blunkett suggests. Partly, he says, this is because Sheffield was in the past protected from world recessions by being a special steel supplier. "Now we're not, and the change has been traumatic.

"Sheffield is claiming, and I believe it to be true, that the products we need for future technological development must be produced in Britain. We should keep a capacity here." If such changes mean a substantial reduction in workforce, then this can be brought about by planning, which saves both on unemployment payments and allows people to redeploy their skills.

"Sheffield's an artisan city. We were built on skills, making products and creating wealth. We weren't making money out of money. We were making something that was saleable, and still is if we put our minds to it. Many of us feel that those who were marketing our products let their workforces down."

A plus side to Sheffield's artisan heritage, Mr Blunkett stresses, is its sense of identity—half-a-million people, technically Britain's fourth largest city, with a collective affinity. "That's a tremendous strength. It has allowed us to keep our motivation over the last rather dreadful eight years."

But wasn't Sheffield like other places, a city divided between the haves and the have-nots? Could you really talk about affinity and community between those living in detached homes facing the Peak District and those living in decaying deck-access concrete megablocks?

"You can. There has always been a divide in Sheffield, and I have to say that local action alone can't eliminate that." In education, for instance, said Mr Blunkett, one part of the city had the best record and achievement level in Britain. It was way ahead of the other parts. "However, that doesn't mean that Sheffield people don't feel the sense of affinity.

"To put it in the crudest political terms, we in the Labour Party have won two of the five wards in the Hallam constituency, the only Conservative-held seat and by far the wealthiest part of the city. Ten years ago that would have been unthinkable. Those parts of the city experiencing affluence and advantage are not, in fact, dividing themselves off from people who feel they've been very badly treated indeed."

Such cohesion is reinforced by a "new affinity" between Sheffield City Council and Sheffield Chamber of Commerce, Mr Blunkett suggests. "We maintain our different values, but there is a greater understanding between us. We believe manufacturing to be important and they appreciate the council's difficulties. All of us agree we get a very raw deal indeed from central government."

Was this new affinity the result of deliberate bridge-building on his part? "I think we realised that some of the language being used, and the profile taken on both sides, was damaging the city's image, and that sometimes we were arguing about things on which we actually agreed."

With the prospect of a general election, where two of the main parties are committed to a fresh regional approach, was there any likelihood of devolved government in England? "Yes, but there has to be a head of steam for it. We would want to democratise the investment agencies, like the water authorities with little or no accountability to the region or, for that matter, to Parliament."

There was a problem in arriving at the correct regional boundaries in South Yorkshire's case: "We will be discussing in the next year the questions of our relationship with West Yorkshire, Humberside, and with Derbyshire and Nottinghamshire." It was crucial to arrive at a region which all parties could subscribe to. "There's nothing worse than creating a structure which exists for the people who serve on it."

And what of the North, as a whole? "We have a problem in establishing, with those living in the South-east in particular, what is actually happening in the North, and the optimism we would hold if only we could begin to use our resources in a sane and sensible way. It's the decision to use these resources and to avoid further divisions which carries us into mutual self-interest."

Robert Waterhouse

The private sector's view

United by market force

THERE ARE increasing signs of a thaw between Sheffield's Labour governors and local businessmen, borne of a realisation tht the city's economic problems now require a tripartite approach involving the local authority, the private sector and central government.

The local private sector believes that Sheffield has, to some extent, justified its image as a high-rated authority and a red republic. But it has also suffered from the fact that central government has put less money into the city at a time when it was losing its industrial base, with consequently less income from rates and more demand for welfare services.

It is widely accepted that, while Sheffield has at times been its own worst enemy, its salvation lies equally largely in its own hands. By dropping some of its more extreme attitudes, the council would help ensure that central government was not landed a stick with which to hit the city.

"A united front presented by the council and the private sector would help to restore confidence," says Mr Derek Bray, the Master Cutler. "But its also a matter of sacrificing a sprat to catch a mackerel.

"Nevertheless, government limits on spending have forced a certain change in the council's attitude, from one of arrogance to a more open-minded approach. When the extreme left came to power, channels of communication between the council and industry were closed. There may now be a return to opening those lines of communication."

Market forces may also prompt a change in tack, says Mr David Shaw, chairman of the local branch of the Institute of Directors. The high level of rates and a certain lack of flexibility in planning policies have been decisive factors in company decisions whether or not to come to Sheffield, he believes.

"We have all the time faced the council with the facts. Market forces will win out in the end. The council will be forced to change its attitude because jobs, if not filled in Sheffield, will be filled elewhere."

Additional public sector investment in the area could help enormously, he says. "But if we are to get value for money, all contracts should be put out to public tender, with the council's public works department excluded. The department would otherwise undercut other bids."

A toning down of the council's more extreme policies would ease the task of promoting a positive image of Sheffield to the outside world, believes Mr Bev Stokes, president of the local chamber of commerce. "I want to go to Paris, Brussels, or wherever I travel on business, and say: 'Come and invest in Sheffield. I believe the council will set a legal rate this year.' Such moves can help enormously.

"If we don't attract new industry into the city, its skills will eventually be lost. The city's image as a steel town may have put off companies in other sectors in the past, but there is no reason why they could not make use of Sheffield's traditional skills. We ought to be able to persuade companies to come here. Rates, taken with wages, are lower than those paid by industry in the south."

Mr Stokes points to the initiatives being taken by the chamber of commerce to foster local employment. In the past six months, 170 companies have set up through the chamber-run enterprise allowance scheme. The chamber of commerce manages the YTS scheme in Sheffield, and has recently helped set up a local employer network to assist companies identify training needs and persuade them of the value of training. "There are now signs that the local council is moving towards a greater acceptance of MSC schemes, from its opposition two years ago. This will help further make Sheffield an attractive place for prospective investors."

Mr Stokes detects also a generally more conciliatory attitude towards the chamber of commerce.

The latest concrete sign of the growing spirit of detente is the agreement last month, between Sheffield City Council, central government, the private sector, English Estates and BSC Industries, to set up a consultancy to examine the development potential and prospects for attracting investment to the Lower Don Valley, the traditional home of Sheffield steel and associated downstream industries.

The six-month study, likely to cost £80,000, to be split between the local authority, central government and the private sector, is the result of the increasing realisation that no one sector can achieve regeneration in the city on its own.

The valley, particularly affected by the cutback in steel production, is 40 per cent derelict. Estimates suggest that the 2,000-acre valley alone requires investment approaching £120m.

The most innovative aspect is the hiring of a firm of external consultants to give an independent view of the area.

The consultancy has sprung from the work of an economic regeneration committee, with members from the public and private sectors, which is itself the outcome of the recent Ranmoor Initiative, a gathering of 100 leaders from different walks of life in Sheffield. The consultancy may also lead to the setting up of a limited company to further a joint strategy for the valley and the city as a whole.

Discussions between the council and the private sector have already brought agreement on a number of issues, such as the need for an airport, a freight clearance depot for the Channel Tunnel, a science park development, and a joint submission for the World Student Games to be held in the city in 1991.

One of the main remaining disagreements is over contract compliance. "The council could quite easily frighten off potential investors, such as multinationals whose markets or attitudes to unions might not square with its own philosophy, by saying you have to do this, do that. I don't have evidence of this; but the council has to hand out an olive branch," says Mr Stokes.

However, the chamber of commerce has already had a meeting with the council, and plans to have a further discussion in the near future to resolve differences which remain on this issue also.

"Sheffield has taken the first steps on what will be a long road," says Mr Stokes.

Alastair Guild

Where the city works

PUBLIC-SECTOR bodies are by far the largest employers in Sheffield, whose economy is now well and truly service-based.

In a recent survey, Sheffield City Council came top of the list with an estimated 26,524 jobs, followed by the Sheffield Health Authority with 15,476. In contrast the biggest private-sector employer, United Engineering Steels, had 5,000 on the payroll.

Of the city's 23 top employers, only nine were private concerns (including British Gas and British Telecom). Some 64,500 people were employed by the public sector in service or administrative positions.

The big steel and engineering companies employed just under 11,000. George Bassett, the confectionery manufacturer, was the major non-engineering employer at 2,128.

A separate survey of the Lower Don Valley, the traditional industrial area, showed a very different picture. Here, some 85 per cent of companies employ less than 50 people; and, of the 17,215 jobs accounted for, 14,257 were in steel, engineering or related services.

Robert Waterhouse

Steel production

Jobs go as BSC cuts its fringe

SHEFFIELD, LONG considered the centre of UK steel, has not escaped the pattern of nationwide decline. The most visible signs are in the Lower Don Valley, where much of steel production and associated downstream industries were once concentrated, and where 40 per cent of the land is now derelict.

The largest Sheffield plant still entirely in the British Steel Corporation's control is that producing stainless steel, employing 1,900. The Renishaw Foundry, making ingot moulds and steel castings, has a workforce of 1,113, while the balance is made up of a number of smaller plants, making alloy steel rods, carbon and alloy wire, steel for razorblades and road vehicle springs.

BSC has cut its own workforce in the face of world over-capacity, but the corporation has also been rationalising itself in preparation for privatisation.

As part of that process, plants considered to be on the fringe of the corporation's core steel producing business have been floated off.

These account for a major element of the drop in the number employed by BSC in Sheffield, from 15,000 in 1978 to the present level of just over 3,000, though there have been quite substantial redundancies also. The most significant inroad came with the divestment to joint ventures of the River Don works and a plant at Stocksbridge.

In 1982, BSC merged its River Don forging and engineering works with Johnson Firth Brown, its major competitor, under the government-funded Phoenix programme designed to cut out overlap between the corporation and the private sector. Before the merger, the two operations had a combined workforce of over 6,000. Sheffield Forgemasters now employs 2,700. Of its 10 operating subsidiaries, seven are located in the city.

The Government recently agreed to give a guarantee for loans up to £10m to the company.

Tonnage produced post-amalgamation is substantially down, but results announced in January show the same level of turnover as three years ago, at £97.3m, while losses have been radically reduced.

United Engineering Steels, of which Stocksbridge now forms part, was another post-Phoenix joint venture. UES was formed last year out of the special steels and forgings interests of BSC and Guest Keen and Nettlefolds. With three plants, it is now the biggest steel producer in the Sheffield area, and is also the sole remaining UK producer of engineering steels for the car, aerospace and energy industries, apart from F. H. Lloyd, of Birmingham.

It recently announced that 600 jobs were to be axed, all at the Stocksbridge Engineering Steels Division employing 2,400.

BSC invested £50m in the Stocksbridge site over the past five years, most of it for a four-strand billet caster for continuous casting. UES has plans to spend a further £20m over the next three years, some £7m to be invested in improving billet finishing facilities, and £3m on a vacuum arc remelting unit to enable it to double its capacity in remelted steels, a small but increasingly valuable market.

Coated Electrodes International, employing 50 at its Sheffield plant is another example of a company that was on the fringe of BSC's core activities, but CEI went the route of a management buy-out.

Since the buy-out, profits have more than doubled on turnover, up from £5.24m to £8.87m. CEI has floated successfully on the USM, acquired a Chesterfield-based company with 85 per cent of its sales overseas, has established a factory in Calais, and is considering setting one up in the US steelmaking area of Pittsburgh.

"With the decline in electric arc steel-making capacity in the UK, it was vital that the company expanded into overseas markets, but the Government had a firm rule for BSC: no investment overseas," says John Lagoe, the company's chairman.

Diversification and acquisition have also played a major part in the success of another Sheffield-based company, the family firm Wm Cook, which makes steel castings. Despite the decline in many of its operating markets, and against a background of severe losses and closures at many other steel foundries throughout the world, total group sales today exceed £40m, with a workforce of around 1,400. Five years ago, turnover was under £4m with 200 jobs.

The company built a new foundry, dedicated to the manufacture of heavy steel castings for the mining machinery and construction equipment markets.

Last year, Wm Cook bought Weir Foundries, which in 1985 had three times its own turnover, making it the world's leading steel foundry group. For £12.7m, it acquired five companies, two of them based in Sheffield: Holbrook Precision Castings, employing 320, and Hi-Tec Integrity Castings, employing 70.

A programme of investment is under way at these sites, and the other two left after the closure of one of the companies in Sunderland; while a £4.5m investment programme at Wm Cook's original Sheffield plant is now nearing completion.

Aurora, a Sheffield-based group of some 30 companies in the UK and overseas, with 10 of them in the city, has grown rapidly since 1983 with only one acquisition.

But the group, which concentrates on forgings and castings, special steel distribution, engineers' cutting tools and general engineering, is likely to adopt a more acquisitive stance, having emerged successfully from a major reconstruction in 1983. It may also dispose of companies that do not fit in with its pursuit of longer-term growth in earnings. Pre-tax profits, which were then £3.9m, are expected to reach £12m this year.

It employs 1,500 in the Sheffield area, where it is currently investing £3m. "Sales may not have increased as much as might have been expected, mainly due to currency fluctuations, but margins have been improved, as have cash flows, despite the heavy capital investment programme," says Douglas Morton, group managing director. "It is inevitable that, with investment in new technology, we will be able to do with less people. We still have, within the existing business, capacity to expand turnover."

Davy McKee, which has seen the Sheffield workforce of its designing and manufacturing steel plant drop from over 2,000 to 1,200, has been most affected by the shrinkage in Europe's production capacity. A sizeable slice of its activity over the past two to three years has been the modernisation of the old hot strip mill at Port Talbot for British Steel, typical of the trend towards the upgrading of mills that do remain.

"Though the European market has been very light for us, the developing world has started to invest quite heavily in new production capacity," says John Hewins, general manager of Davy McKee (Sheffield). Export loading can be as high as 90 per cent, and rarely drops below 50 per cent.

Alastair Guild

Alan Harper

Sheffield at work: the drop forge of George Turton Platts, a subsidiary of Aurora.

Knives and tools

Exports sharpen optimism

KNIVES AND tools, for long the hallmark of Sheffield steel, are making their presence felt increasingly on world markets, despite rising raw material costs, fierce international competition and, in one company's case, an inferno.

Richardson Sheffield last year faced a 15 per cent increase in the cost of the 60 tonnes of stainless steel it uses each month for making its kitchen knives and other tools. It managed to negotiate a cut in the price rise to 7 per cent with one of its suppliers, Arthur Lee, though BSC Stainless apparently refused to negotiate until Richardsons decided to source entirely from Arthur Lee.

"With steel making up 50 per cent of the cost of the finished product, even a small increase could spell disaster," says Bryan Upton, the company's managing director. Both BSC and Arthur Lee are threatening further increases in the second half of 1987.

"Raw material prices in the last few years have been within limits, but these latest increases are totally unmanageable. For example, to win orders from Italy this year for 2m knives, we had to agree to sell at last year's prices.

"We have set a target for the past five years of a 30 per cent increase in sales each year, achieved it, and are looking for a similar rise in the future. But it only requires a 20 per cent steel price increase for our plans to crash overnight."

The company, which makes 700,000 blades a week, half of which are turned into knives, is nevertheless in a buoyant mood. It recently announced plans for a multi-million pound factory development in Sheffield, to allow for expansion over the next 10 years. In the coming year, it expects to create more than 20 jobs to add to its present workforce of 400 in Sheffield and Elland, West Yorkshire. Last month the existing plant started working round the clock to meet orders.

The company, with at present 60 per cent of sales overseas, is expanding into new export markets. "I don't care about competition from overseas. If I do everything I can to make the company competitive, and end up going down to Far East competitors, as least I've tried. But I'm winning," said Mr Upton.

"We are selling to all the eastern bloc countries with the exception of the USSR and Bulgaria, and sell more knives to the Cook Islands than they have inhabitants. Before I retire, I intend to crack the Soviet Union and China."

James Neill Holdings, producer of tools and industrial cutting edges, is in a similarly expansive frame of mind, bouncing back from a devastating fire, an unexpected slump in overseas demand, and a rationalisation following the acquisition of Spear and Jackson last year.

With the rise in the value of the Deutsche Mark and the yen increasing the cost of its competitors' products, Neill's is seeking to boost sales to Europe, traditionally one of its weaker markets. It currently exports 40 per cent of UK production.

Already Britain's largest producer of industrial cutting edges, handtools and DIY tools, its £16m acquisition of Spear and Jackson added garden implements and builders' tools to its product range. Plant in France for manufacturing circular saws also came with the purchase, while Neill's itself had production facilities in South Africa and New Zealand, with more than £20m of its annual turnover of £80m contributed by companies operating overseas.

The company also has a substantial capital investment programme in Sheffield, where it employs 1,300. Two sites, one of which came with the acquisition, are being consolidated into one later this year. In 1986, the group invested £4m in new plant and machinery, and expects to spend at least the same amount again this year, though spending has been coupled to a programme of redundancies.

"We took 'the opportunity' presented by the fire to put in the latest machinery, including CNC machines, but it was inevitable that that would lead to a reduction in staff," says Mr Peter Bullock, the group's chief executive. Even after the buy-out of Spears, the group's workforce fell by 700 last year, with 350 of the redundancies in Sheffield. However, the company has tried to retrain as many as possible of its staff at the local skills centre to use the new machines.

The cost of its raw materials, carbon and high-speed steels has risen, but due mainly to the fall in the value of sterling, since they are sourced mainly in France and Sweden. "When we re-export as a finished product we, of course, get the advantage back again," says Mr Bullock.

Alastair Guild

Yorkshire relish among the doubters

"BUSINESS IS good for the MSC," admits Mr Keith Baker, the deputy director of personnel. One of the ironies of transferring the headquarters office of the Manpower Services Commission to Sheffield is that it coincided with a period of growth in MSC activities related to unemployment through the UK, but of little direct benefit to Sheffield itself.

When relocation happened in 1979, most of the headquarters jobs, some 1850 in all, were simply pushed to Sheffield from London. Many went unwillingly, but many of those doubters are now happily reconciled to life in South Yorkshire. About one third of the Sheffield staff, mainly the clerical grades, were recruited locally. With its activities spread throughout the regions, the MSC employs 25,000 people in all.

Being a headquarters office located 150 miles from London does impose problems, Mr Baker says. Senior staff spend days, even weeks, a year commuting. London remains the executive centre of the operation, and the commissioners rarely meet in Sheffield.

Despite the increasing use of technology in linking the two centres, including an audio-visual circuit, there is often no alternative to personal appearances if the chairman or the director needs to be briefed.

From Mr Baker's viewpoint, all this creates strains, which are met with good Civil Service firmness. He simply insists that his top people take holidays.

"And there are many positive aspects. In London we were dispersed anyway, in many different locations. Here in Sheffield, most of us are together, which is good for internal communications.

"Staff morale is high here, despite the pressure of work. The city has a lot going for it in amenities and activities. In London the office meant nothing to people outside work. Here, it involves families and friends, which pays off in terms of attitudes to work and job-satisfaction."

One growing problem is the effect of London house prices on staff attitudes to mobility. Technically, all those above clerical grades in the Civil Service have to move where the job sends them. In practice, it is more complicated. The MSC sees a need to attract young high-fliers, who are reluctant to sell their London houses and their inflation-buffer, particularly when they may be asked to move back in a few years' time.

The bottom line has benefited by dispersal. After accounting for the MSC's £15m headquarters building at Moorfoot, there is an annual saving calculated at £4,300 for each job transferred to Sheffield, or nearly £8m each year. To any government looking for savings in public spending, that's a powerful argument in favour of moving.

Robert Waterhouse

Financial and professional services

Local firms thrive among the internationals

THE STATE of financial and professional services in Sheffield says much about the transition which the city and its industry is undergoing. It is a commentary on decline, realignment and hoped-for regeneration.

For the financial and professional services sector can only be as big as Sheffield's industry and commerce can afford. The first thing to look at, therefore, is how many of the big international accountancy firms are actually in the city.

The answer is five—Peat Marwick, Coopers & Lybrand, Grant Thornton, Pannell Kerr Foster, and Ernst & Whinney. This is a telling indicator in itself: a major or even slightly buoyant business community would expect to have all of the "big eight" present and a fair sprinkling of the next eight largest besides.

However, this is not the full picture. Two "locals"—Barber, Harrison and Platt, and Hawson Jefferies—have managed to survive and thrive comfortably enough to fend off all suitors. They rank about equal third and sixth in terms of size in the city, *split by Pannell Kerr Foster.*

Peats, which has five partners and about 100 staff, has been vying for supremacy with the similarly-sized Coopers & Lybrand. But it will shoot ahead when Peats' merger with Thomson McLintock takes place, for the latter has a staff of 20 in Sheffield, though its office is "partnered" from Manchester.

Since Peats has actually been in Sheffield since 1919, its office there can hardly be regarded as anything less than local. It is Ernst & Whinney which is the newcomer, having arrived in 1974 to service the now-defunct Hadfield steelmaker. It merged with the local Howell and Hambidge (est. 1918) to create its two-partner, 40-staff business of today at the bottom of the seven-firm league.

Some of the accountants, notably Peats, *have actually done* quite well in an expanding market for managing receiverships and liquidations. Despite the income this brought, however, partner Peter Scaman is happy that his particular business is now in serious decline.

The problem which all acknowledge, though, is that new small businesses cannot afford *big firms' usual fees.*

The key here may well be how quickly the small business sector in Sheffield can develop. The means of helping this along *is thus just as much part of the* professional infrastructure as anything else.

The worry among professionals is that many of the manufacturing workforce, which reduced from an employed strength of 300,000 down to only 56,000 in the recession, are not going to be entrepreneurial enough.

They have been too used to being employees in big corporations. Jonathan Hunt, senior partner in Sheffield's leading commercial law firm of Wake Smith and Co, says: "This does not encourage entrepreneurialism. If people had entrepreneurial children they usually left the city to set themselves up. We have to hope that the steel industry's skills are transferable to other things."

Mr Hunt chairs Sheffield Business Venture (SBV), the local enterprise agency. This has been beefed up this year with the appointment of Barrie Briggs as chief executive, rather than being run by short-term secondees who, though very capable, could not provide continuity.

Mr Briggs believes that SBV should have pitched for the Government-funded "springboard" experiment, which trains would-be entrepreneurs in business basics. The Manpower Services Commission got Sheffield Chamber of Commerce to run it instead after SBV had turned it down.

He also hopes for "better interface with the city council," a view shared by Dan Sequerra, the council's director of employment and economic development. Mr Sequerra believes that there will now be much more and better "networking" between the council and the financial and professional services sector than in the past.

However, Mr Scaman, of Peats points to another serious problem—shortage of risk capital to help new businesses grow. "The clearing banks do not advance money at risk. It is still very difficult to fund any project under £100,000 on anything other than loan capital," he says.

He says it is easier to put together big deals—such as for management buyouts—but that there are not enough of them. Investors from the US have been impressed by what they have seen of Sheffield, but want seven-figure deals only in an area desperate for five- and six-figure ones.

The other side of this coin, however, is that Investors in Industry (3i) is experimenting in Sheffield with using a British Telecom telephone sales team to market 3i's services—basically venture and development capital—over the phone. It is prospecting for new clients, because not enough have been coming forward.

However, local director Paul Gilmartin admits that he would expect to make most deals in the £100,000-to-£1m range, with £500,000 around average. This, therefore, ties in with Mr Scaman's views about a shortage of real risk capital in the start-up area.

Mr Scaman thinks that a local venture capital fund would not go amiss. Is there local money there for this?

The bustle in the offices of Nicholson Barber, Sheffield's local stockbroker, suggests that there may well be—let alone the fact that business is good *enough to support four partners,* three associates and 25 staff.

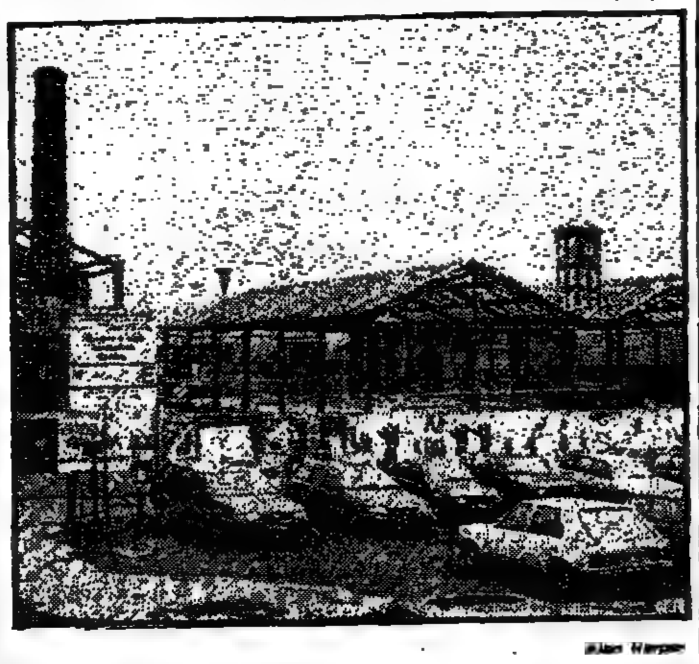
Tony West, who heads the firm, says that there is money around, but that "people around here don't flaunt it." He was encouraged enough to advertise on the sides of Sheffield's buses, urging people to buy and *sell their British Gas* shares through Nicholson Barber.

The eye-opener was a British *Telecom share-dealing* queue that wound out of the firm's front door and down several flights of stairs. Another has been that Nicholson Barber had to temporarily turn away new clients last month as a combination of existing customers and British Airways dealings overloaded the computers.

What is also apparent from doing the rounds of Sheffield's professional and financial community, however, is that this community itself contains some impressive entrepreneurs in their own right. What other explanation is there for the survival of firms of solicitors, such as Rodgers and Howe, which has been in continuous business in the same building since 1800?

"Because we are not too big, the client usually deals with one person for everything," says Peter Rothwell. "It's a type of one-stop shopping, and we are getting quite a few of the people who are setting up in business. We also act in buyouts." Moving with the times has helped the firm to survive with seven partners and 25 staff.

Ian Hamilton Fazey



Alan Harper

A clock tower is already in place above the small new building that will house Sheffield's Business and Innovation Centre.

Basic facts

Population: 542,700

Local authority: Sheffield City Council, Town Hall, Pinstone Street, S1 2HH, 0742 726444.

Universities/Polytechnics: University *of Sheffield, Commercial and Industrial* Development Bureau (Dr Roy Handscombe), 0742 768555. Sheffield City Polytechnic, Polylink (Brian Jeremiah), 0742 20911, ext 2397.

Science Park: *Dr Brigitte Pemberton,* 0742 766755, ext 208.

National Research Establishments: Steel Castings Research and Trade Association, 0742 28647. Spring Research and Manufacturers Association, 0742 760771. Cutlery and Allied Trades Association, 0742 79736. British Glass Industry Research Association, 0742 686201. British Forging Industry Association Technology Centre, 0742 727463.

Chamber of Commerce: Director, John Hambidge, 0742 766667.

Enterprise Agency: Sheffield Busi*ness Venture, chief executive Barrie* Briggs, 0742 755721.

Development status: Intermediate.

Special facilities: Sheffield Development Office (property register and *full details of all industrial development help).* Chris Freegard, 0742 734193.

Nearest international airport: Manchester (1 hour).

Nearest regional airports: East Midlands (40 min), Leeds-Bradford (45 min).

Locally-based PLCs: United Engineering Steel, Midland Bank (half of headquarters), Bassett Foods, Cantors, Hepworth Ceramic, James Neill, Sheffield Forgemasters, Tyzack Turner, Wigfalls.

Locally-based USM companies: G. W. Thornton—recent flotation.

Property

Planning a place to enjoy

SHEFFIELD'S post-war reconstruction, like that of some other heavily bombed cities, created a town-scape on a somewhat inhuman scale. While the monolithic structures of the 1950s and 1960s cannot be erased, they are being learnt from.

The thrust of the city's local plan is to make Sheffield a place for people to enjoy, encouraging mixed schemes with elements of landscaping, housing, recreation, retailing and offices. It aims to bring life back to the centre, especially at night, doubling the number of people living there over the next 10 years.

There is concern also that Sheffield has lagged behind in providing retail and office accommodation commensurate with the late 1980s. A £15m *development* by MEPC, due for completion later this year, provides evidence that the city has managed, nevertheless, to sustain its importance as a regional shopping centre. A further indication is the level of Zone A rates which, until recently, were the highest for any provincial city.

At present Sheffield has gross retail floor space of well over 2m sq ft, drawing its trade from as far afield as North Derbyshire, Nottinghamshire and the Rotherham and Barnsley areas, giving it a total catchment area approaching 1m people.

The Orchard Square development gives an idea of the sort of scheme the council is keen to encourage, with 38 shop units totalling 90,000 sq ft, 9,000 sq ft of offices, a creche, craft workshops, seven flats, a food court, food hall, and restaurant.

A £10m development by London and Cleveland Estates continues the theme of mixed uses, with 43 shop units, totalling 90,000 sq ft, 28 residential flats, restaurant, offices, creche, art gallery and 310 car-parking spaces. It will, at the same time, help meet the demand for more speciality shopping, and be linked to pedestrian-only courtyards and lanes. Like that at Orchard Square, it has resulted from an architect-developer competition; and, similarly, it will be of traditional materials and architectural style. Such competitions are seen as a way of promoting good design and involving the local community in shaping the future of the city centre.

A waterside village, planned by Shearwater Properties around the terminal basin of the Sheffield Canal, will provide a vital link along the canal between the Lower Don Valley and the city centre, and be a major visitor attraction. Shearwater, also the developer of the Albert Dock in Liverpool, was the winner of another design competition.

New buildings will be integrated with refurbished early 19th-century warehouses to provide flats, speciality retailing, pubs, wine bars, restaurants, *offices* and *new-technology* units, space for exhibitions and tourists events, a boatyard and water-based recreation facilities. Walkways will link the scheme, costed at £9m, with the city centre.

Sheffield has, meanwhile, faced considerable pressure for a major expansion of retailing outside the city centre. "Retailing must be seen in its wider context, as a catalyst for wider economic regeneration," says Narendra Bajaria, environmental planning officer with the city council. In the Lower Don Valley, for example, 40 per cent of land was derelict and very little industrial or commercial development was taking place.

It was, nevertheless, a difficult decision to recommend a go-ahead for Meadowhall in the valley, with 900,000 sq ft of retailing and 300,000 sq ft of leisure, making it comparable with, if not larger than, the Metro Centre in Gateshead, and half the size of Sheffield city centre.

"It could reduce the city centre's turnover by between 10 to 20 per cent, and result in the closure of some of the shops that are trading on small margins at present. On the other side of the equation, was the vast dereliction that existed, and that such a development would start to clear," says Mr Bajaria.

He believes that the impact of Meadowhall on city centre shops will be ameliorated by its wide catchment area of 5m people, and that, if anything, it has boosted the resolve of developers in the city centre to proceed. "We would prefer to have seen industrial development, but there was no prospect of that in the short to medium term."

To the north of the city, adjacent to the new Stocksbridge bypass, in a *run-down industrial* area partly in Barnsley and partly in Sheffield, there are outline proposals for a wide-ranging development of new uses, *including* a *retail* warehousing park of 250,000 sq ft and high-tech units, and the consolidation of existing light industrial units.

However, another proposal for a 1m sq-ft scheme on green belt to the south of the city was withdrawn by the developers when the council made clear its *opposition, despite the developers'* claim for its job-generating potential.

The council is, at the same time, keen to encourage improvement of district shopping centres, in particular to cater for the planned expansion of Sheffield in the south east. A new purpose-built centre on a greenfield site at Crystal Peaks, now under construction and costing £20m, will include a *shopping mall* and 1,300 parking spaces.

"If there is any further retail development it would be to strengthen the role of the 16 district shopping centres. Any unmet demand should be channelled through these established centres to ensure that they don't die," says Mr Bajaria.

The council is, meanwhile, assessing a number of proposals for two of its own sites recently marketed in the city centre. The schemes submitted have a large shopping content, but also include considerable office space, varying from 60,000 to 100,000 sq ft. The private sector *has brought forward* three other schemes in the town centre for shared office space. There is also interest in developing a small office park.

Agents are concerned that, without further office development, there may soon be a shortfall in high quality vacant space. It is believed that, for a city of its size, Sheffield ought to be able to provide some 1m sq ft. At present it has a quarter-of-a-million square feet, and much of what is left is dotted around, with little large-scale accommodation *to offer* any organisation wishing to relocate.

Much of the marked increase *in floorspace* in the 1970s has since been swallowed up by the Manpower Services Commission, Midland Bank's International Division, while the Health and Safety Executive is soon to move here from North London.

Major office developments on prime city centre sites are not ruled out by the city council, but it is particularly keen to encourage smaller, self-contained schemes, both in the centre and around the cathedral, where commercial development is at present concentrated. These three or four-storey buildings would aim to satisfy the demand from companies wanting "their own front door," and their own car-parking space. The city wants, at the same time, to avoid creating office ghettos, which are dead at night, and believes this can be best achieved by mixed use schemes.

Alastair Guild

Technology

A seed-bed for the small and new

BETWEEN ARUNDEL GATE, Sheffield's ugly inner ring road, and the swirling traffic of Sheaf Square, a diminutive building with a whimsical clock tower already in place is under construction. It is next door to what many deem the best pub in town. The building is a symbol, evidence of Sheffield's technological future.

The Business and Innovation Centre, based on the former Don Plate works, is to be Sheffield's seed-bed. Financed jointly by the city council's Urban Programme and the European Regional Development Fund, it will offer, when it opens in January, full support services to small or new firms, backed by the resources of Sheffield City Polytechnic, Sheffield University and the five Sheffield-based scientific research associations.

Behind this construction work is an open site, used as a car park. By autumn this, too, is to be brought back to life as a science park, built by English Estates, with phase 1 costing about £2m. The developments go hand-in-glove, and are likely to be managed by a joint company set up between the city council and English Estates.

They mark a small, late-in-the-day but highly significant effort by Sheffield leaders to reverse the downward spiral of technological initiative. The five-acre site's position close to the city centre is in deliberate contrast to the typical rural science park. Tenants, who will have to pay full market rates of about £11 a square foot inclusive, are more likely to be indigenous entrepreneurs than footloose executives.

There is no shortage of support for this project, which has taken several years to progress. On the city council side, it is very much a litmus test of effectiveness for the Department of Employment and Economic Development. The polytechnic, whose buildings are also nearby, will provide a whole range of services under their Polylink industry schemes. These include the South Yorkshire Microsystems Centre and the Sheffield Centre for Product Development and Technological Resources (Sceptre).

The polytechnic is also jointly involved, with the MSC's Sheffield Skillcentre, in the Centre for Advanced Manufacturing Technology, where a £1.5m investment in equipment provides state-of-the-art training for CADCAM technicians and the use of computer-controlled machine tools.

Sheffield University's Commercial and Industrial Development Bureau is an open door to 100 departments and research units. These include the star-rated Department of Electronics and Electrical Engineering's computer-based databank, Codus; the Wolfson Institute of Biotechnology; Unisheff Ventures Ltd, the University's holding company for commercial exploitation of technology transfer; and the Civil Engineering Software Group, which writes and markets educational software.

Sheffield has more research associations than any other urban area. Four of them are involved with cutlery and steel, the other the British Glass Industry Research Association. They represent a continuing commitment to research, and an increasing involvement in technology transfer, which all sponsors hope will be a main-line activity in the science park area.

Mr Brian Jeremiah, who is head of the polytechnic's External Liaison and Development Service Department, says he is not expecting many polytechnic lecturers to take the plunge into entrepreneurship. Graduate students will probably be a more rewarding area, but Polylink's all-round contacts—including Sheffield Business School, which recently received international recognition for its MBA course—should give new business ventures management as well as technical back-up.

Recently British Coal agreed initial funding to develop the idea of a regional design centre in the science park. This, backed by the Design Council, may include prototyping facilities, tying in with the city council's new product development team, which offers companies grants of up to £10,000 to help get product ideas moving.

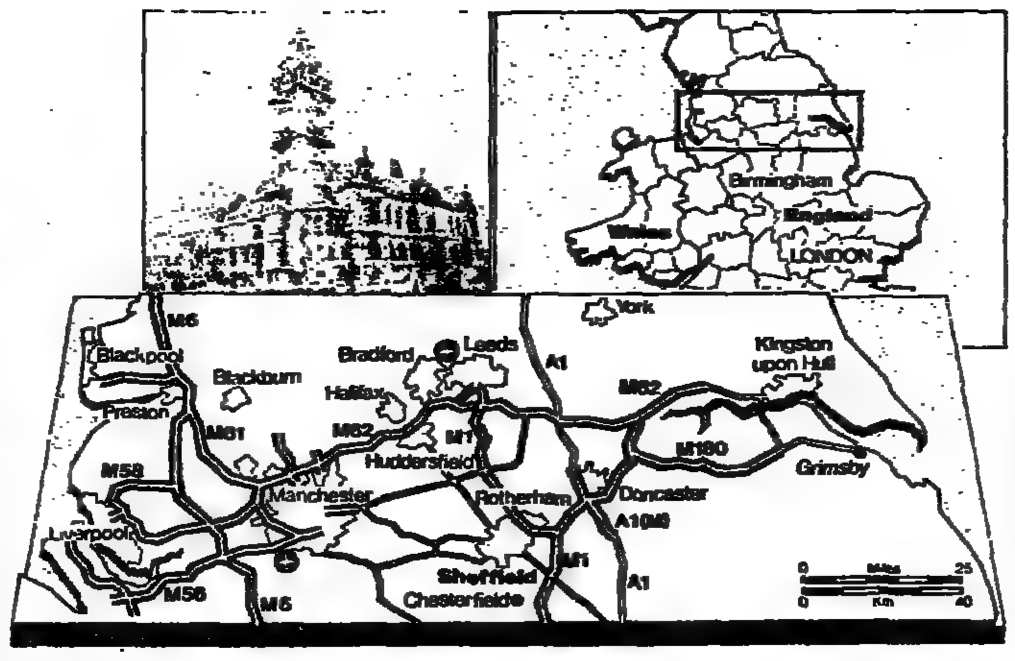
A separate bid, on an adjacent site, is being made for an EEC Esprit facility, where laboratory testing of computer-based office equipment would take place. If this is secured, it would obviously add an international gloss to proceedings.

Mr Philip Wilbourn, English Estates' development executive responsible for value-added projects like science parks in the North, has no doubt that Sheffield Science Park has a very high priority and commitment from his company. It may also be seen as a test bed for further English Estates' involvement in the Lower Don Valley, where they will be contributing to the forthcoming consultants' report.

One Sheffield company that has already made the hi-tech leap very successfully is Sanderson Computers, formed only three years ago as an offshoot from an established local aerospace concern. Sanderson secured the UK and European rights for marketing the C.ITOH Pick commercial computer range, which they are now assembling in Sheffield, employing 60 people. From September, Sanderson will be manufacturing C.ITOH computers under licence.

The company's national sales manager, Mr Neil Ratcliffe, says that the Sheffield workforce is excellent. His company is particularly impressed by the quality of trainees. Sanderson's front-running is a timely example to the young companies which, from early next year, will be taking their first tentative steps in Sheffield Science Park.

Robert Waterhouse



The Lower Don Valley Scheme

New life for dead acres

DRIVE ACROSS the Tinsley Viaduct on the M1, and the vision of Sheffield is one of almost dereliction. This is the bottom end of the Lower Don Valley, once Britain's special-steels furnace, now largely abandoned.

The picture, seen from such a embarrassing vantage point, is disastrous for Sheffield's already tarnished image. It does, not however, tell the whole story, either about the Lower Don Valley or the steel industry, nor about Sheffield itself. In the forseeable future the worst dereliction, Meadowhall, will be transformed into an into an 120-acres shopping centre and theme park. Important as this is, this will be just a small step in resuscitating the Lower Don Valley.

Sheffield is still in a state of shock from the speed and scale of the devastation. During the 1970s its traditional industries stood up well—so well that firms interested in Lower Don Valley sites were turned away. By November 1985, when BSC's Tinsley Park works were closed and the restructuring of Sheffield Forgemasters completed, thousands of jobs had gone. One-third of the valley was derelict or vacant; many other sites were underused.

The city council has reacted to the crisis with a variety of initiatives, now coming together as a strategy which includes: substantial reclamation and greening, new employment and recreational areas, and help for surviving businesses. It recently announced a consultancy, supported by the Department of the Environment, to study development potential in the valley. Its twofold problem is that it owns little of the land itself, and has no capital revenue to allocate in that direction anyway.

Politically, it seems impossible for Sheffield even to consider turning to central government for the sort of full-blown help that is being extended to Trafford Park, Manchester, in the form of an urban development corporation. Mr David Blunkett, Sheffield City Council's Leader, concedes that the £116m given so far to Merseyside Development Corporation would, if spent on the Lower Don Valley, "Completely trasform the nature, not just of Sheffield but of the sub-region."

However, UDCs are anathema to Mr Blunkett and his party, because they represent a centralist and "grossly undemocratic" approach to development. They take planning powers away from the city. And, in his opinion, they are redolent of governmental hypocrisy in rate-capping needy authorities, like his own, while dishing out millions of pounds of public cash to create a profitable infrasructure for the private investor.

So, in place of the hundreds of millions potentially available under a UDC, Sheffield's hard-working officer teams struggle on with a few hundred of thousands. A recent recent internal report showed that, since its inception in 1981, the council's Department of Employment and Economic Development had spent just £1.533m supporting jobs in the Lower Don Valley. More than a quarter of this went to the council's two enterprise workshops.

Assuming that environmental and land reclamation schemes qualified for the Derelict Land Grant, the total spent in this area amounted to £2.7m.

The report, prepared to frame a strategy for the valley, included a warning from the City Treasury that the council's financial position was serious and would lead to "the postponement of completion of major projects without either radical reallocation of resources or private sector investment."

European Regional Development Fund grants are not allowed to extend a council's capital spending, so they were unlikely to help in this case. "Clearly, the inability to complete commenced or 'politically committed' schemes represents a serious problem for the authority," the City Treasury concluded.

Optimists within the city council and the local business community take a different view, however. They say that the consultancy, which brings in English Estates and BSC Industries as well as the DoE, could change the whole dimension of planning for the Lower Don Valley. Instead of scratching around attempting to clean up eyesores, they hope for a new commercial dynamism, with significant employment opportunities.

The council's own New Employment Park, where the site is already waiting and landscaped, has just secured a £1.4m urban aid grant, which allows phase one work to get going this summer. The park represents, in theory at least, a "home" for the new technology industries about to be hatched in Sheffield Science Park. Companies which outgrow the science park may well be attracted to the New Employment Park—and out again farther into the Lower Don Valley, where the council envisages an ambitious programme of land acquisition.

Then there are plenty of thriving companies operating in much the same conditions as ever, cheek-by-jowl and sometimes in each others' pockets. The officers' report counted 56 firms specialising in drawing, rolling and forming steel, employing over 4,000; 12 in iron and steel, employing nearly 3,000; 17 hand tool makers, employing almost 1,500; 11 foundries employing 1,200 and so on.

Council officers are able to keep the larger firms with environmental work, and the smaller ones with building grants that often mean the difference between expansion and standing still. For example, Anchor Magnets received £14,000 for new windows, roofing and internal work, which allowed them to make far better use of their premises. The firm, selling a full range of industrial and domestic magnets, has filled the new space with machine tools, bought cheaply at ubiquitous sales—and all are being meticulously restored.

Robert Waterhouse

Shopping, leisure and tourism along the canal

SHEFFIELD'S famous seven hills made life interesting for the civil engineers of the Industrial Revolution. One of the first trade arteries, the Sheffield and Tinsley Canal, followed the Lower Don Valley to the city centre fringes where it terminated abruptly to avoid complicated locks.

This canal basin, long derelict and decaying, is set for conversion to a £15m leisure and shopping complex which will bring a new dimension to city life, and a boost to tourism.

It's a scheme that the city council, together with the canal's owners, the British Waterways Board, have been trying to promote for years. After false starts — hardly surprising given the run-down state of the area — they put the project out to competition, based on a planning brief which received approval in December 1984.

Central to the brief was the retention and re-instatement of two listed buildings, the Terminal Warehouse, listed Grade 11*, and the Straddle Warehouse, listed Grade 11. Two further buildings, the Grain Warehouse and the Wharf Office, are attached to the Terminal Warehouse and treated as if part of the same structure. There are also several smaller listed buildings in Wharf Street.

All these have been incorporated into the chosen scheme, put forward by Shearwater Developments using the Sheffield architects Hadfield Cawkwell and Davidson. Shearwater call their proposal "Waterside Village," and their managing director, Mr Ian Pierce, describes it as a magical festival-type project, with the advantage of being so close to the centre of things.

Shearwater's proposals include a pub, wine bar and restaurants in the Terminal Warehouse; specialist shops, small office suites and workshops in the adjoining Wharf Office; an exhibition space in the Grain Warehouse; more exhibition space and shops in the Straddle Warehouse, with one and two-bed flats above, and a new Speciality Centre, with an entertainment square and assorted shop units.

That's just the core of the development; and the external boundary of the site is still under discussion, because it could well determine whether the scheme goes ahead, particularly to the present tight timescale which assumes work starting on site by the end of 1987, with parts of Waterside Village open a year after that.

The matter to be decided is what scale of urban development grant the scheme qualifies for. Shearwater are hoping for something like £5m. The Department of the Environment are looking to see a good jobs-grant ratio.

It is a complex issue. Nobody quite knows the physical condition of the listed buildings, and the City Council are sponsoring a survey which itself has to qualify for grant aid. All parties get together each fortnight to keep communication flowing.

Mr Pierce says the model for Waterside Village is Ocean Village, Southampton, rather than Liverpool's Albert Dock — and he has had involvement with both.

There are two obstacles to achieving the throughput of visitors that his firm will need if it is to trade profitably: the laws surrounding market stalls, and Sunday trading. "We really do need to trade on a Sunday," he says. Maybe that is something that even Sheffield City Council cannot arrange.

Robert Waterhouse

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Civil Service efficiency

'Increased vigilance at no extra cost'

Hazel Duffy reviews progress at the Vehicle Inspectorate

BRIAN ANDREWS manages the Sheffield district of the Department of Transport's Vehicle Inspectorate. He has 39 staff. They carry out safety testing of all heavy goods and public service vehicles (buses and coaches) in the area; conduct random vehicle checks on the road; and control and monitor garages carrying out MOT tests on cars. Other duties include liaising with the police on the roadworthiness of vehicles involved in accidents.

His budget for the current year is £626,047. "I can stand up and be counted on every penny of that," he says.

The budget is the symbol of Andrews' new financial accountability following implementation of the Government's Financial Management Initiative (FMI) throughout the civil service.

The FMI, a programme aimed at bringing private sector-type managerial and financial disciplines into the civil service, has taken a firm hold in the Vehicle Inspectorate. The prompt came from the Government's intention to privatise the operation. It met with fierce opposition from freight and road haulage interests which were worried that common testing standards would not be maintained throughout the country and that testing fees might rise.

The lobbying was successful. Ministers withdrew the proposal, partly as a result of that, and partly because it became clear that the entire operation could not be privatised. This conclusion stemmed from an outside investigation of its viability, which became the basis for restructuring the group within the Transport Department.

Putting FMI into practice was the responsibility of Ron Oliver, head of the Vehicle Inspectorate whose offices are in Bristol. An accountant was recruited into the team from the private sector. Together, they have superimposed financial and management systems in less than two years on an organisation where technical considerations have traditionally predominated.

The changes have won over staff like Andrews, a technician who has been turned into a manager. "We feel more like a private company now," he says, a remark echoed by his two deputies. "Having more responsibility makes us more like managers in the eyes of other people. They used to think we had a cushy time as civil servants—we didn't, but that's beside the point. Now we can talk about our responsibilities and hold our heads higher."

An example of the way in which their new freedom works is the greater flexibility that management has over the deployment of staff. Previously, one group worked on the vehicles brought in by operators for the statutory annual test, another on random checks. Now, when demand slackens on the first, staff can be switched to the second. The result is increased vigilance of safety at no extra cost to the road user. It may seem a small advance. But the protagonists of a management-oriented civil service argue that it is the sum of small achievements like these which will lead to a better "product" at the end of the day, and more satisfied staff.

Deregulation

Targets are set nationally—for example, that every fleet operator will be inspected once in a certain number of years (the exact figure is not revealed), every garage licensed to do MOTs will be visited—and estimates made of likely demand for statutory testing. To this will be added this year an estimate of how many more buses will come into service, and therefore need to be tested, as a result of deregulation.

Based on this guidance, the 53 district managers in the Vehicle Inspectorate are making their first bottom-up budget bids, for 1987-88. They estimate the resources they expect to need to perform their tasks: manpower, travel costs, overtime payments, right down to costs for clearing snow from the testing area.

In the process, they have discovered certain costs, usually for the first time. "I found that the test cards for the Sheffield station alone are costing £6,850," says Andrews. He may not find a cheaper supplier easily—they are specially produced—but he will make quite sure that none is wasted.

When he gets his budget, he will be watching how it is spent very closely. "Having gone through the pain of getting it together, there will be no doubt that I shall be monitoring it." At present, the information systems are pretty basic. These will be much better when the stations are computerised shortly.

Performance indicators are in use. In the Sheffield district, volume of output in testing is up by 3 per cent, with reduced manpower. District managers are given comparative statistics for all areas.

The changes, however, bring their own demands. Now that officials are given managerial and financial responsibility, they want more authority. At the higher level, regional managers (there are four throughout the country) also want more flexibility over manpower. If the districts earn extra revenue by doing more tests, they want to be able to take on more casual staff as they see fit.

At time goes on, and the FMI programme becomes absorbed into the culture, there will be more such demands, from district managers, regional managers, and from head office itself. It is a force that is gathering a strength perhaps beyond that anticipated by the central powers in Whitehall.

Brian Andrews: gone through the pain of getting his budget together

Small is easy, but as for the big savings...

THE VEHICLE Inspectorate—nearly 1,500 staff and a £28m budget accounted for by fees paid for its services—is a relatively small organisation in civil service terms, with clearly defined duties. This self-containment has been a big help in putting the FMI into practice well down the management line.

A much bigger task is presented by the departments which are engaged in major programme expenditure, especially when the policy of that department—as happens in the Department of Health and Social Security with the National Health Service—is carried out by other bodies.

Sir Gordon Downey, Comptroller and Auditor General, in his report* on the FMI, published last autumn, drew attention to specific problems, particularly that of measuring output and thereby determining the effectiveness of the initiative. He concluded that considerable strides had been made by departments in reaching the objectives set for their administrative costs, representing about 13 per cent of central government spending, but much less had been achieved for the remaining expenditure.

In his comprehensive review, he also noted that departments were experiencing difficulties in motivating middle and junior managers. Their reservations "appeared to reflect mainly the extent of their power, as they saw it, to control many of the costs for which they were held responsible."

Sir Peter Middleton, Permanent Secretary to the Treasury, told the Commons Public Accounts Committee recently that if the initiative is not taken down the line, "we will not have succeeded."

The difficulty, according to the Council of Civil Service Unions' written evidence to the committee, is that the exercise has been seen as an instrument of government stringency towards the civil service—getting "more for less"—and so contributed to the "crisis of demoralisation" brought about by dissatisfaction over pay and staffing levels.

The unions also accused the senior civil servants responsible for the FMI of ignoring the quality factor in measuring output. "In practice, the emphasis in most departments has been on developing crude indicators of the output of civil servants, neglecting any qualitative aspects."

Top civil servants from the Treasury and the Management and Personnel Office, who have a watching brief over the FMI, agree that it was unfortunate that it was introduced when pay has fallen compared with the private sector, and civil servants' productivity had risen. They refute suggestions, however, that this has undermined the initiative from the outset.

"We were told by consultants in 1982 that it would take 10 years to get it into place. It has always been a long-term programme," says Anne Mueller, who heads the MPO.

Making the civil service work more like the private sector was never going to be straightforward. In practice, it has come up against problems of personnel management as well as technical difficulties of measuring success which do not arise in the private sector.

John MacGregor, Chief Financial Secretary to the Treasury, pointed to an example of a problem in a speech last summer on getting value for money in government. If targets are set, and the individual does not achieve them, he feels he has failed. The tendency would be to set more achievable targets, particularly in an organisation characterised by caution. But this would be going against the grain of what the FMI was intended to do.

He felt, nevertheless, that the initiative was making progress in all areas — budgeting, management systems, policy evaluation, and value for money targets. As an example of the last, he cited Customs and Excise, which had directed its VAT control visits towards areas of greater revenue risk and met its target by recovering 7 per cent more VAT that should have been paid.

Value for money is at the core of the FMI. But the Comptroller and Auditor General has said that it would be increasingly difficult to attribute savings—whether as increased output with the same resource, or the same with a smaller resource—solely to the initiative.

From the point of view of making it understandable to the world outside the civil service, this is a pity. The cynical might say that this only supports their view that a lot of effort is going into making relatively small savings when the really big areas of expenditure go untouched.

"It's about papercilps and envelopes. In the meantime, over £900m was wasted on the Nimrod project," says a former civil servant.

The managers in Customs & Excise do not agree, at least not on the first part of that statement. If, however, the FMI is to have far-reaching implications, some of the difficulties that they have already encountered in their managerial roles must be addressed.

The German view of Japan's barriers

BY CHRISTOPHER LORENZ

ONE OF Japan's leading car manufacturers started conducting market research in West Germany seven years before its first vehicle was actually sold there. By contrast, German and other western companies which try to attack the Japanese market not only tend to do inadequate market research, but are reluctant to adapt their products to local requirements.

German companies are also weak in service, delivery and distribution in Japan, according to Professor Hermann Simon, scientific director of USW, the German management institute. "The great weakness of German companies is that they are not close enough to the customer."

Writing in the International Journal of Research in Marketing,* Simon argues that no internationally active company can afford to ignore the demand potential offered by the Japanese market, however intense the local competition may be. Instead, "Japan should play a predominant role" in the global strategy of western companies.

Japan's position as the most competitive world market in many industries makes it an ideal "training ground", argues Simon. In many growth sectors it is also the most innovative, playing a leading role in the development of new products and market needs. The Japanese market is made even more attractive—especially for high quality German products—by its low price sensitivity.

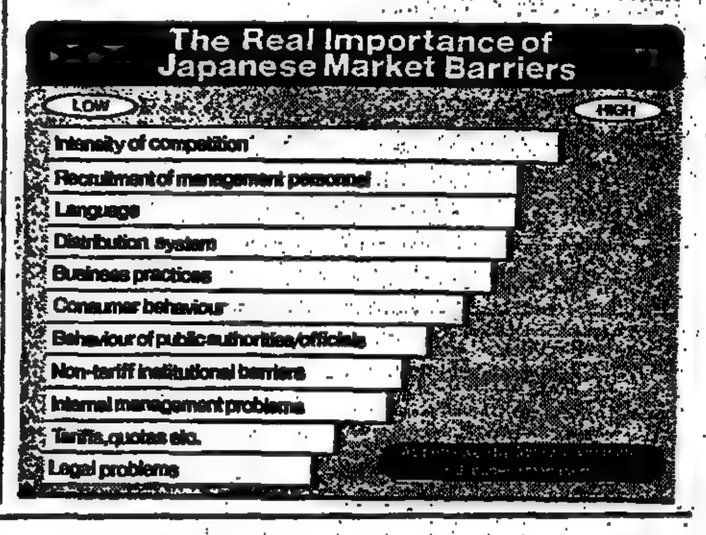
Yet some of these same factors make it difficult for German companies to penetrate Japan, says Simon, because they differ so markedly from characteristics which are familiar to them in their home market. Germany is much more price sensitive than Japan, for instance, and the speed of market change ("market dynamics") is slower.

"The large discrepancies between the German and the Japanese market imply a major risk if experiences are transferred," Simon warns. "It seems dangerous to apply marketing know-how and strategies which worked well in Germany or Europe, in Japan."

This is by no means the only barrier to entry into the Japanese market, of course. Simon lists eleven others—but in an order of significance which differs sharply from the conventional view of why Japan can be so impenetrable to western companies.

Based on a survey of the views of German managers working in Japan, plus a sample of Japanese managers in Japan, Simon concludes "that the severe difficulty of entry is due mainly to marketing barriers and not to institutional barriers" (such as non-tariff barriers and the attitude of public officials). The results are shown in the table below. The usual over-rating of institutional barriers "may well explain the reluctance of many German companies seriously to attack the Japanese market," concludes Simon.

* Vol 3, 1986. Published by Elsevier Science Publishers (North-Holland).



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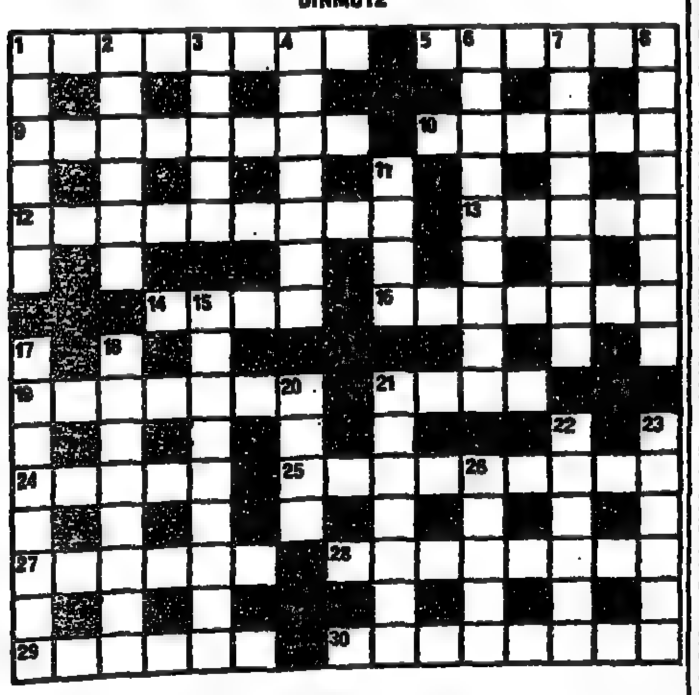


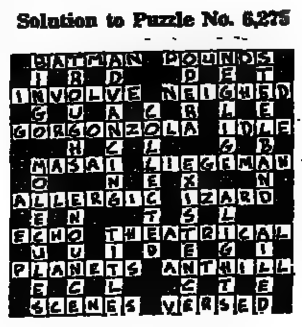
ACROSS

1 Means to get a heel into *Oxford perhaps* (8)
5 One may have set features at the desk (6)
9 One-star ski rates amended (8)
10 Chap who is watchful around Beachy Head (6)
12 Cook's *warming-pan* (4-5)
13 Love-game possibly, the last of the series (5)
14 Japanese play jolly standard (4)
16 Show anger when blister bursts (7)
19 Picked up *and* touched, like the Portland vase (7)
21 Total number of pence in the reservoir (4)
24 Supply vessel from *Casablanca* or Tangier (5)
25 Coast offering on-the-house roulette (9)
27 Headless fish going off course (6)
28 Such *a heel* can make toes tilt (8)
29 This salad ingredient is hard *to cook* (6)
30 Care for marmalade? (8)

DOWN

1 Giving a shilling to a taxi-driver is despicable (6)
2 Where French idiot has to win by *ingenuity* (6)
3 Its oriental dishes usually have little dressing (5)
4 Strange sort on strange platform (7)
6 Colour-blindness that dims *tonal variation* (9)
7 To hold novel of the 14th century (8)
8 Painter in secret resort goes over his lines (8)
11 Old simple Basil, perhaps (4)
15 Colours of sergeant, say? (3, 6)
17 Bird *displaying passion* in northern river (8)
18 Rare find, possibly, such waves (5-3)
20 Dead astern? That is foolish (4)
21 Loudspeaker to rent out on Sunday (7)
22 Superior punter (6)
23 Recess in cathedral—Coventry for example (6)
26 County loses vigour (5)

Solution to Puzzle No. 6,275



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Gilt	191.2	202.3	+1.6	—
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International Money	193.6	204.9	−0.7	—
Far East	209.6	221.8	−1.0	—
Global	105.5	111.6		—
European	105.8	112.0	−0.7	—
Japan	111.1	117.6	−1.1	—
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High Income	394.5	417.5	+1.7	—
Property	306.7	324.6		—
Managed 2	96.3	101.9	+0.4	—
Managed	390.6	413.3	−0.1	—
Managed 4	99.0	104.8	−0.1	—
Deposit	266.4	281.9		—
Gilt	272.8	288.7	+2.9	—
American	432.0	457.1	−3.0	—
International Money	278.1	294.3	−1.1	—
Far East	231.6	245.1	−1.1	—
Global	108.5	114.8	..	—
European	108.9	115.2	−0.9	—
Japan	115.7	122.4	−1.5	—
Heritage Property	100.0	105.8	—	—
Other Funds				
Equity Units		81.77	+0.04	—
Property Units		22.99		—
Balanced Bond/Exec	37.85	40.05	−0.03	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	123.0	130.0		—
Risk & Reward Bond	162.0	171.0		—
Murray Johnstone Fd	137.0	145.0		—
Money Market Fd	111.0	117.0		—
Investment Strategy Fd	101.0	107.0		—
Ivory & Sime Pens Fd	125.0	132.0		—
Risk & Reward Pens Fd	144.0	152.0		—
Murray J'stone Pens Fd	134.0	142.0		—
Money Market Pens Fd	111.0	117.0		—
Inv Strategy Pens Fnd	102.0	108.0		—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Saxon Gate West, Cent Milton Keynes MK9 2LA

Current Series				
Property Fund	120.8	127.2		—
Money Fund	231.3	243.5	+0.1	—
Managed Fund	458.6	482.8	+3.5	—
Equity Fund	307.4	323.6	−1.0	—
Fixed Interest Fund	156.7	165.0	+1.0	—
Far East Fund	235.1	247.5	−1.0	—
North American Fund	189.4	199.4	+0.7	—
Natural Resources Fund	166.9	175.7	..	—
Pension Managed Fund	435.2	458.2	−0.5	—
Pension Equity Fund	296.1	311.7	−1.6	—
Adventurous Mngd Fd	162.2	170.8	−0.9	—
Balanced Mngd Fd	155.0	163.2	−0.8	—
Conservative Mngd Fd	152.3	160.4	−0.1	—
European Fund	123.8	130.4	−0.8	—
International Fund	145.8	153.5	−2.4	—
S.U.M. Flagship Fd	153.5	161.6	+3.6	—

For other prices please telephone 0908 606101/660888

Devonshire Life—Contd.

Money	101.1	106.5		—
Pen Managed	143.2	150.9		—
Pen World Growth	104.2	109.8	−0.1	—
Pen UK Equity	160.9	169.5	+0.3	—
Pen UK Small Cos	147.5	155.3	+1.3	—
Pen European	96.9	102.0	−1.4	—
Pen Far Eastern	219.4	231.1	+2.7	—
Pen Nth American	97.9	103.2		—
Pen Fixed Interest	119.2	125.5	+0.7	—
Pen Index Link Stks	109.3	115.2	−0.1	—
Pen Money	106.4	112.1	—	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521 311

Secure Fund	105.1	110.7	..	—
Blue Chip Fund	142.7	150.3	..	—
Performance Fund	167.2	176.0	+0.4	—
Adventurous Fund	160.0	168.5	+0.9	—
Pension Secure	96.8	101.9	..	—
Pensions Blue Chip	110.6	116.5	+0.1	—
Pensions Performance	108.3	114.1	+0.3	—
Pensions Adventurous	107.3	113.0	+0.9	—
Pensions With Profits	101.9	107.3	—	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	186.0	192.8	—	3.82

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	184.1	193.8	+0.1	—
Fd of Inv Tsts	158.3	166.6	+0.4	—
Gilt & Fixed Int	121.5	127.9	−0.1	—
High Income	175.5	184.7	+0.3	—
Intnl Growth	114.7	120.7	+0.2	—
Managed	142.3	149.8	+0.3	—
Money	110.0	115.8	+0.1	—
North American	127.9	134.6	+0.1	—
Pelican	165.5	174.2	+0.4	—
Property	109.0	114.7	—	—
Special Sits	174.7	183.9	+0.3	—
School Fee Managed	157.5	165.8	+0.3	—
Pension Funds				
Far Eastern	211.8	222.9	+0.2	—
Fd. of Inv. Tsts	176.9	186.2	+0.6	—
Gilt & Fixed Int	127.7	134.4	−0.3	—
High Income	203.7	214.4	+0.5	—
International Growth	119.1	125.4	+0.2	—
Managed	157.5	165.8	+0.2	—
Money	120.3	126.6	+0.1	—
North American	134.6	141.7	+0.2	—
Pelican	187.7	197.6	+0.6	—
Property	109.3	115.0	..	—
Special Sit	200.4	210.9	+0.5	—

Equity & Law
Amersham Road, High Wycombe 0494 33377

UK Equities Fund	503.4	529.8	+0.7	—
Higher Inc. Fund	488.2	513.8	+1.2	—
Property Fund	267.0	281.0	..	—
Fixed Interest Fund	248.5	261.5	−0.7	—
Index Linkd Secs Fund	111.0	116.8	−0.4	—
Gtd. Deposit Fund	180.1	189.5		—
Nth. America Fund	264.9	278.8	+1.9	—
Far East Fund	297.4	313.0	+3.7	—
Europe Fund	221.6	233.2	+1.5	—
International Fund	309.0	325.2	+2.5	—
Mixed Fund	373.7	393.3	+1.1	—
Ind. Pen. Equity (z)	631.7	664.9	−1.3	—
Ind. Pen. High Inc. (z)	144.6	152.2	+0.3	—
Ind. Pen. Far Int. (z)	281.6	296.4	+3.8	—

INSURANCE, OVERSEAS & MONEY FUNDS

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks. Aylesbury (0296) 394000

Managed	438.5	461.6	+1.7
Property	265.5	279.5	
Fixed Int	165.4	174.3	
UK Equity	540.3	569.0	
Int Equity	343.5	361.6	+0.5
Deposit	158.9	167.1	+2.6
Managed Property	255.5	269.0	
American Eagle	116.8	123.0	+0.6
Technology	112.1	118.1	+0.8
Worldwide Income	179.2	188.7	+1.7
Pacific	182.4	192.0	+1.0
Australian	94.9	99.9	+0.5
Japan	299.4	315.2	+0.6
Commodity	119.5	125.8	+3.2
Gold	156.5	164.8	+1.0
Financial	213.7	225.0	+2.0
Income	256.1	269.6	-0.4
Special Situations	244.8	257.7	+1.3
Preference	144.8	152.5	-0.9
Managed Currency	94.2	99.2	
European Spec. Sits.	188.5	198.5	+0.2
Sterling	110.3		+0.3
Residential Property	99.5	104.8	
Pension Funds			
Managed Pension	1343.1	1413.8	+4.4
Gilt Pens.	372.8	392.4	-2.7
Property Pens.	734.5	772.9	+4.5
Equity Pens.	693.1	729.6	+0.3
Index-L. Plan	129.5	136.4	-0.6
Guar. Pen.	263.2	277.1	+0.1
Lancaster Retirement	172.1	181.2	

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	191.7	201.8	
Gilt & Fixed Int Fd	142.5	150.0	
Cash Fund	124.7	131.3	

Transatlantic Life Assur Co Ltd
8 New Rd, Chatham, Kent. Medway 812348

LACOP Units	17.65	18.55

Trident Life Assurance Co Ltd
London Road, Gloucester 0452 500500

Managed	333.2	350.8	-0.1
Gtd. Mgd.	303.3	319.3	+0.9
Property	327.0	344.4	
American	261.4	275.3	-1.6
UK Equity Fund	378.7	398.8	-0.4
High Yield	451.0	474.9	-0.9
Gilt Edged	265.9	280.0	+1.4
Money	243.3		

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090

Porchester Managed Funds

Albany (1)	172.9	177.7	+0.1
Cornhill (1)	107.0	113.0	
Fidelity Life (1)	119.6	125.5	
Royal Life (1)	156.7	112.4	
Schroder (1)	137.6	107.7	+0.2
Skandia (1)	123.1	128.5	-0.1
Target (1)	129.9	136.0	-0.2
Tyndall (1)	119.6	125.8	+0.5
Porchester Managed Pension Funds			
Albany (1)	153.6	140.3	+0.1
Schroder (1)	125.2	105.4	+0.1
Skandia (1)	129.7	136.5	-0.1
Target (1)	113.6	123.6	+0.1

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER. 021-236 5801

Man-Clerical Med.	125.8	135.6	
Pens. Mgr Schroder	314.9	342.0	-0.1

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical (1)	106.5	112.2	+0.1
Guardian Royal Exch	100.9	106.3	-0.1
M&G Ass (Life)	116.8	122.8	
M & G Ass (Pens)	135.4	142.5	
Norwich Union Ass Mgt.	54.9	57.8	+0.1
Royal Life (Unit Link Ass)	108.5	114.3	-0.1
Scot Equitable (Life)	150.8	158.1	
Scot Equitable (Pens)	103.9	109.4	
Scot Mutual (Life)	156.8	166.3	-0.4
Scot. Mutual (Pens)	142.3	150.3	-0.5
Vanbrugh Life Ass.	120.1	126.5	-0.4

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	198.8	207.2
Target Mngd Pension	178.9	191.9
Albany Mngd Bond	162.5	172.8
Albany Mngd Pension	205.1	215.0

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 29044

Growth & Income (BH)	177.6	187.0	+0.4
Ultra Gwth (Roy.H)	147.8	155.6	+0.5
Flexible Managed (Wes)	147.4	155.2	-4.5
Global Managed (Schr)	134.7	141.7	+0.5
Pension Fund (Roy.H)	122.4	128.9	-0.8

OFFSHORE AND OVERSEAS

[illegible]

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$21.45	+0.09

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$18.73	-0.03

Inv. Adv., M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765

Japan Meta Growth	11.40

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$19.61	+0.07
Dynamic Gwth Fd	$22.46	-0.05

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.47	13.10

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Cap Fund	10.77	8.05	11.84	3-mth
CAFCASH 7-day Fund	10.65	7.96	11.70	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.85		11.30	3-mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.86	8.12	11.72	6mth
7-day Fnd	11.01	8.23	11.89	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.84	8.14	11.70	6-Mth
7-day Fund	10.78	8.06	11.58	6-Mth
Dollar	5.00	3.70	5.34	6-Mth

Money Market Bank Accounts

	Gross	Net	Cr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.75	7.25	10.49	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10.25	7.66	11.10	Qtr
[illegible]	10.00	7.48	10.90	Mth
[illegible]	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-626 2044				
HICA, HICMA	11.25	8.41	12.30	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.60	7.371	10.45	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.38	Qtr

[illegible]

TRADITIONAL OPTIONS
3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Ecuador to seek larger oil export quota

ECUADOR will ask the Organisation of Petroleum Exporting Countries to raise its oil export quota by 100,000 barrels per day to 310,000 b/d to compensate for lost output due to last week's earthquake, Fernando Santos Alvite Ecuador's Deputy Energy Minister said.

Mr Santos Alvite, who arrived in Caracas on Wednesday to discuss an aid plan for Ecuador, did not say when the Opec would be approached.

The additional output would be related to plans now under discussion for Venezuela and Mexico to lend Ecuador crude while it repairs a pipeline damaged by the earthquake.

Cotton sales

The Indian Government has permitted immediate export of 190,000 bales (of 170 kgs each) of cotton. The sale will be made by the government-owned Cotton Corporation of India and four provincial-level cotton co-operatives.

Drought hits tea

Sri Lanka revised its tea output forecast for 1987 to about 190m kilos from an earlier target of 210m, due to a severe drought now affecting about one-third of the country, the Ministry of Plantation Industries said.

Last year's tea production *remained 211.3m kilos.*

First quarter output will be down by about 15 per cent or about 8m kilos below the 51.43m produced during the same period last year.

US soya worry

US soyabean exports will probably fall in the 1986/87 season and increased soyabean production in South America—500,000 tonnes in Brazil and 100,000 tonnes in Paraguay—is the main reason, the US agriculture Department said.

In its report on the world oilseed situation, the department said estimated US exports of soyabeans in the 1986/87 season have been reduced by over 800,000 tonnes from a month ago to 19.65m tonnes.

Hopes rise for renewed agreement on rubber

BY WILLIAM DULLFORCE IN GENEVA

PROSPECTS THAT rubber producing and consuming countries can agree on a new price-stabilising agreement improved yesterday after four days of tentative discussions in Geneva and a threat by the US delegation that it would leave if no progress had been made by the end of the week.

Delegates on both sides expressed hope that the remaining crucial differences could be settled while Mr Manaspas Xuto, the chairman of the UN natural rubber conference, said there had been "slight progress but we are not at the end yet." He said he would expect delegates to work through the weekend, if no breakthrough was achieved today.

The biggest remaining hurdle to a new five-year International Natural Rubber Agreement is the consumers' insistence that the reference price and indicative prices in the range governing the operations of the buffer stock should be adjusted by at least 5 per cent when the stock reached 450,000 tonnes. It now stands at 360,000 tonnes.

For the producers the indicative prices—which form the outer band of the three levels at which the buffer stock manager may, or is obliged to buy and sell—set a floor price guaranteeing rubber growers a return on their investment. It is politically impossible for them to abandon this floor, the producers say.

Consumers, keen to inject greater flexibility into the Inra price adjustment mechanism, and anxious to limit financial commitments, feel that there is no point in continuing to build the stock beyond 450,000 tonnes, if there is no price change.

A putative compromise under discussion among delegates yesterday would call for the hardline consumers—essentially West Germany, Britain and the US—to concede on the indicative price in return for the producers' agreeing to accept a price review every 12 months instead of 18 months, as well as some automatic price adjustments.

The producers have hardened their attitude against the tightening of borrowing facilities to finance the buffer stock which the consumers—with the excesses of the collapsed tin agreement in mind—want written into the new Inra. During the last round of talks in October, the producers had indicated that they would agree to stricter borrowing provisions.

Both sides see the present round, scheduled to finish at the end of next week, as the last chance to negotiate a new Inra before the expiry of the present agreement in October. Failure to come to terms would force them to start planning how the buffer stock can be disposed of without disrupting the market.

Indonesian exporters press for coffee quotas

INDONESIAN coffee exporters, while accepting that a period of depressed prices is in prospect following the collapse last week of producer/consumer talks in London on the reintroduction of export quota controls, are urging their government to keep up pressure for the return of quotas, reports Reuter from Jakarta.

There have been no limits on coffee exports since February last year, when a dramatic price rise sparked off by Brazil's 1985 drought triggered the suspension of the International Coffee Organisation's quota system.

Although the world coffee price is now less than half the level ruling at the time of the *suspension, ICO members have* so far been unable to reach an agreement on export shares which is a pre-requisite for the reimposition of quota controls.

Mr Dharyono Kertosastro, chairman of the Association of Indonesian Coffee Exporters, blames the failure of the latest round of talks on Brazil, by far the largest producer, which has been fighting to maintain its 30 per cent share of ICO exports. "As long as Brazil sticks to its hardline position, we can never bridge the gap," he said this week.

Indonesia is the world's third biggest coffee producer, after Brazil and Colombia, and Mr Kertosastro believes Colombia could play a key role in softening Brazil's attitude because of its close contacts with the dominant producer.

At the London talks Brazil blocked a proposal by eight ICO producers, including Colombia and Indonesia, for a new quota system which would have reduced Brazil's share.

Mr Kertosastro said his country's 1986-87 coffee production *might fall slightly from last* year's 360,000 tonnes and that exports were unlikely to be much above that year's 380,000 tonnes.

The crop had been affected by pest damage, he said, although it remained to be seen how seriously.

Indonesia is trying to boost its coffee output by introducing higher yielding varieties

Poland assigns $60m for farm inputs

By Christopher Bobinski in Warsaw

THE Polish government has assigned $60m (£41.5m) to be spent in the first half of the year for imports from the West of pesticides, herbicides and production components for these items needed before this year's harvest.

This is close to last year's level and although it is 30 per cent to 40 per cent less than required, the state-run farming lobby is holding its own in the struggle for scarce hard currency.

Western pesticide suppliers estimate the decision to free the funds has come just in time *to make deliveries for spring* field work.

Mr Stanislaw Zieba, the Minister of Agriculture, this week said the harsh winter probably did the winter grains little harm.

Cuts in supplies of natural gas to producers in January mean there will be a 10 per cent shortfall on the planned deliveries of fertilisers

Stefan Wagstyl on the fortunes of the mineral sands industry

Australia's commercial beachcombers

PROCESSING MINERAL sands used to be the poor relation of the Australian mining industry. Plants were primitive, prices unpredictable and profits low.

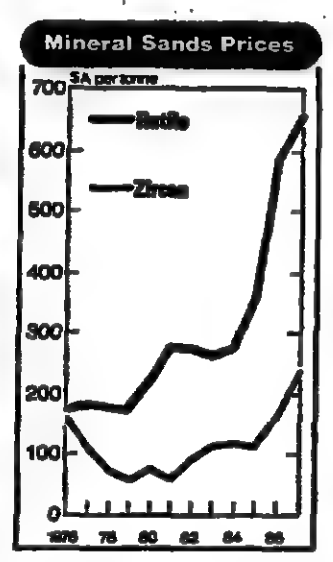
Producers were in no position to cope with the power of their major customers, a handful of international corporations which dictate terms.

But in the last three years the industry has been transformed, partly by consolidation among producers to form larger better-capitalised operations and partly by a sustained price increase. To prove the point, Renison Consolidated Goldfields, the world's largest mineral sands producer, last month announced record interim profits from its mineral sands division, which more than offset a collapse in profits in its former star performer, Renison tin mine.

Mr Campbell Anderson, the chief executive, says people mocked when the group was put together by a merger in 1981: "Everybody said you can't justify putting that splendid tin mine into a 'crummy' mineral sands operation. Now it all looks different."

Processing mineral sands is literally a business of mining beaches. Certain beaches, notably in the south of Western Australia, contain sands made up of valuable minerals, particularly ilmenite, rutile and zircon. The first two are the raw material for titanium dioxide, the white powder which is the basic ingredient in white paint. Zircon is used as a refractory material in steelmaking, and to a lesser, but growing, extent in ceramics. Corrosion-resistant zirconium metal is used in lining parts in nuclear reactors and chemical plants.

Mr Campbell Anderson . . . faith in a "crummy" mineral sands operation



Australia is the largest producer and exporter of all three minerals, with its export market shares ranging from 40 to 60 per cent. Renison, which is 49-per-cent-owned by London-based Consolidated Gold Fields, accounts for about 30 per cent of world production of rutile, 40 per cent of synthetic rutile (or processed ilmenite), and 45 per cent of zircon.

Other significant exporting countries include South Africa, Canada, Norway, Sierra Leone and India, although not all produce the same range of sands as Australia.

In the past few years Australian output has risen greatly, partly at the expense of other producers and partly in response to a surge in demand. Ilmenite output increased threefold to 1.1m tonnes from 1983-84 to the year ending last June.

Over the same period rutile and zircon production almost doubled to 202,000 tonnes and 390,000 tonnes respectively. *Further increases are expected* in the current year.

Prices have risen strongly, even allowing for the decline of the Australian dollar on the foreign exchange markets. Ilmenite was most recently quoted at A$75-$80 (£32-£34) a tonne by Mining Journal, against just over A$30 in early 1984. Over the same period rutile prices have climbed from about A$340 to a range of A$625-A$630 a tonne and zircon from about A$110 to A$230-$250 a tonne.

Demand for titanium-bearing minerals has grown because of the increase in sales of white-coloured consumer goods from the trough in paint sales after the recession of the early 1980s.

However, Renison's Mr Anderson argues that actions by producers have been more significant. "To a certain extent growth in demand has helped but changes in supply have been the key."

Renison's acquisition of Allied Eneabba, a rival minerals sands company, in 1985 is seen as one of the most important steps in the consolidation of the industry, which has seen the closure of several smaller operations. Renison and Consolidated Rutile, the second-largest Australian producer, have both invested heavily in modern capacity to replace outdated high-cost plant. For example, Consolidated has switched its Queensland coast production from dry mining to low-cost dredging. Renison has recently completed a 112,000 tonnes a year synthetic rutile plant in Western Australia, at a cost of A$60m.

Australian Mineral Economics, a research company which has recently published a report on the industry, says there has been "a radical restructuring of the world mineral sands industry."

Apart from increasing production efficiency, the producers strengthened their position in a market which is tough because of the financial muscle of the customers, major chemicals companies including Du Pont in the US, Tioxide in Europe and Ishihara in Japan.

Potts West Trumbull, a Sydney stockbrokers, forecasts strong prices for mineral sands for at least the next 18 months, particularly for rutile.

Mr Anderson is more cautious. The market will still be cyclical, he says, but thanks to rationalisation producers should be able to secure more stable prices than in the past.

Threadbare outlook for Japan's silk trade

JAPAN'S protected silk industry, faced with sluggish demand and oversupply maintained by artificially high producer prices, is threatened with a slump, industry officials say, reports Reuter from Tokyo.

Worries about a possible cut in the official raw silk support price and an anticipated collapse in the buffer stock operation of the semi-governmental buying agency, sent prices at Japan's two futures exchanges sharply lower this week.

The industry said the weak trend will continue until the agriculture ministry sets its 1987-88 support price, effective from June 1.

The 1946 Silk Yarn Price Stabilisation Act allows the Silk and Sugar Prices Stabilisation Corporation to fix physical raw silk prices at an artificially high level, currently Y12,000 (£50) a kg.

The corporation buys for the buffer stock when physical silk yarn prices move below support levels.

However, due to sluggish demand it has almost filled its allocated volume for the silk for the year ending May 31, triggering active stop-loss selling on the Yokohama and Kobe exchanges this week.

In the past, the corporation could increase buying to bolster prices, but the financial burden this created in an oversupplied market, coupled with domestic criticism over the way the industry is protected from competition, prevented them from doing this.

Cocoon growers wield considerable political influence with rural members of the ruling Liberal Democratic Party, making it difficult for the Ministry to introduce any drastic reforms, the industry said.

Spotting the paradox of a high-price support policy and weak demand, speculators took a large amount of deliveries from February to August 1986 and sold them to weavers below the official support price, they said.

An official at the Japan Silk Reelers Association said this sparked a collapse in silk distribution as weavers opted not to buy at support levels, creating physical oversupply.

Speculators bought futures contracts at prices below the support level as distant months have usually been lower than nearbys.

In spite of this, prices still rose towards support levels because the Silk Reelers' Association continued to take deliveries at the support price to absorb oversupply, which it then sold into the buffer stock.

However, the corporation's buying volume for the year to May 31 is set at 30,000 bags (of 60 kilos) and the association has already sold it some 27,000 bags, association officials said.

Weavers, forced to buy expensive domestic yarn and facing competition from cheap fabric imports, say the support price should fall to around Y7,000 per kg to be able to compete with imports.

Chinese raw silk traded in Lyon is now around Y6,000 per kilo.

The Government sets quotas on yarn imports from China and South Korea, which only the Silk Corporation is allowed to buy.

As these are seen as vital to the cocoon-producers, survival, it is unlikely they will be abolished.

LONDON MARKETS

COPPER LED a general rise in base metals prices on the London Metal Exchange yesterday, and in spite of a decline of about £7 a tonne late in the day the cash Grade A position closed £13 up at £913.50 a tonne. Dealers said both the early strength and the later downward reaction reflected movements in the New York market. But easier sterling against the dollar and expectations of a further fall in LME warehouse stocks this week provided extra encouragement for London's advance. The technical tightness of supplies available for nearby delivery was still apparent and the cash premium over the three months quotation widened by £7 to £13 a tonne. The cash aluminium price regained £16.50 of Wednesday's £40.50 fall to close at £852.50 a tonne. Traders attributed the rise chiefly to speculators covering short positions and some "bargain hunting." They also reported talk that prospective Chinese buying just below current price levels might provide a platform for a rally.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	853-4	+16.5	—
3 months	813.5-4	+13	817/805

Official closing (am): Cash 839-9 (855-6), three months 803-4 (811-12), settlement 839 (856). Final Kerb close: 816-17. Turnover: 19,725 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	913-14	+13	920/919
3 months	900-1	+8	907/900

Official closing (am): Cash 919-20 (903-4), three months 906-7 (893-4), settlement 920 (904). Final Kerb close: 901-2.

Standard			
Cash	856-60	+8	862
3 months	873-7	+7	—

Official closing (am): Cash 853-5 (851-2), three months 880-2 (869-71), settlement 855 (852). US Producer prices 66.5-70 cents a pound. Total Turnover: 46,300 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	302-3	+6.75	304/302
3 months	295-7	+6.25	297/295

Official closing (am): Cash 304-5 (298.5-7), three months 295.5-6 (282-3), settlement 305 (297). Final Kerb close: 298-7. Turnover: 7,275 tonnes. US Spot: 24-27 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2375-85	+1.5	2390/2365
3 months	2380-90	—5	2405/2365

Official closing (am): Cash 2,387-90 (2,365-7), three months 2,397-8 (2,380-1), settlement 2,390 (2,367). Final Kerb close: 2,380-5. Turnover: 822 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	458-9	+4	459/455
3 months	454-5	+3.25	455.5/451

Official closing (am): Cash 458-8.8 (452-3), three months 453-3.5 (449.5-50.5), settlement 458.5 (453). Final Kerb close: 454-5. Turnover: 13,900 tonnes. US Prime Western: 37.5-44 cents a pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.81 (16.98) ringgit per kg. Down 0.17.

GOLD

Gold rose $2¾ an ounce from Wednesday's close in the London bullion market yesterday to finish at $409¾-410¼. The metal opened at $407¾-408¼ and finished at its best level of the day. There were reports that further tension in the Middle East had prompted renewed demand and this in turn triggered short covering. Trading was described as relatively active in comparison to the slack period experienced recently.

GOLD BULLION (fine ounce)		Mar. 12
Close	$409¾-410¼	(£258-258½)
Opening	$407¾-408¼	(£255½-256)
M'n'g fix	$408.00	(£256.201)
Aft'n'n fix	$409.90	(£256.830)

GOLD AND PLATINUM COINS		
Am Eagle	$423-428	(£266¼-269¼)
Mapleleaf	$421-424	(£265-267)
Kr'g'r'nd	$412-415	(£259¼-261¼)
½ Krug	$213¼-214¼	(£134¼-135)
¼ Krug	$109-110	(£68½-69¼)
Angel	$418-421	(£263¼-265)
1/10 Angel	$40½-45½	(£25½-28¾)
New Sov	$98-99	(£61¾-62¼)
Old Sov	$98-99½	(£61¾-62¾)
$ 20 Eagle	$500-550	(£314¾-345¼)
Noble Plat	$545-554	(£343¾-348¾)

SILVER

Silver was fixed 2.55p an ounce higher for spot delivery in the London bullion market yesterday at 350.55p. US cent equivalents of the fixing levels were: spot 558.5c, up 1.9c; three-month 565.4c, up 1.75c; six-month 574.25c, up 1.65c; and 12-month 591.85c, up 1.9c. The metal opened at 348-350p (555-557c) and closed at 352½-354½p (560-562c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	350.55p	+2.55	352p	+3
3 months	359.20p	+1.80	361p	+3
6 months	367.50p	+1.90	—	—
12 months	385.45p	+1.60	—	—

LME—Turnover: 12 (0) lots of 10,000 ozs.

Cash high-low 348.5p; three months final kerb 362p.

SOYABEAN MEAL

Prices moved a little firmer on consumer buying against light scale-up commercial selling, reports Muirpac.

	Y'sterd'ys close	+ or —	Business done
	£ per tonne		
April	121.0-124.0	+1.10	124.0-121.5
June	118.2-119.0	+0.75	118.5-118.5
August	118.0-119.0	+0.55	118.5
October	119.5-119.5	+0.55	120.0
Dec	111.5-112.5	+0.50	112.5-111.5
Feb	114.5-116.0	+0.55	—
April	115.0-118.0	+0.55	—

Sales: 152 (same) lots of 20 tonnes.

INDICES

REUTERS

Mar. 11	Mar. 10	M'th ago	Year ago
1535.3	1531.7	1614.2	1625.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 11	Mar. 10	M'th ago	Year ago
Spot	113.77	113.56	—	129.88
Fut	113.07	113.14	—	134.92

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Mar. 12 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1255/1275	—40	$1285/1305
Copper			
Cash Grade A	£913.5	+13	£896
3 mths	£900.5	+8	£909.25
Gold Troy oz	$410	+2.75	$401.25
Lead Cash	£302.5	+6.25	£285.5
3 mths	£296.5	+6.25	£300.25
Nickel			
Free Mkt	178/188c	+4.5	166/188c
Palladium oz	$124.30	+1.30	$121.40
Platinum oz	$535.00	+5.80	$516.75
Quicksilver†	$195/205	......	$170/180
Silver troy oz	350.55p	+2.55	362.55p
3 mths	359.20p	+2.15	372.10p
Tin			
free Mkt	£4200/300	—25	£4465/515
Tungsten	$47.06	......	$44.51
Wolfram 22.6lb	$44/48	......	$39/45
Zinc	£458.5	+4	£481.5
3 mths	£454.5	+3.25	£477.5
producers	$770/790	......	$770/790
OILS			
Coconut (Phil)	$360x	......	$412.5
Palm Malayan	$315y	......	$342.5
Seeds			
Copra (Phil)	$240v	—5	$265
Soyabean (U.S.)	$136.5	—2	$140
GRAINS			
Barley Fut. May	£113.35	—0.45	£118.50
Maize	£145.00	......	£144.50
Wheat Fut. May	£118.15	—0.30	£119.10
No. 2 Hard Wint	‡		‡
OTHERS			
Cocoa Ft. May	£1305	—2.5	£1342.5
Coffee Ft. May	£1,319	—20	£1569
Cotton A Ind.*	52.75c	+0.1	56.55c
Gas Oil May	$146.5	—4	$144
Rubber (kilo)	60.75p	......	65.75p
Sugar (raw)	$198.5z	—5.5	$192
Wooltops 64s	455p kilo	+4	415p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v April. z March-April. x April-May. y May.

COFFEE

Robustas opened weaker in response to steadier sterling and a weak New York close, reports Drexel Burnham Lambert. The market traded within an established range encountering scale-down support at lower levels.

COFFEE	Yesterday close £ per tonne	+ or —	Business Done
Mar.	1297-1300	—24.0	1302-1286
May	1318-1320	—20.0	1329-1305
July	1335-1337	—18.0	1340-1317
Sept.	1355-1359	—16.5	1360-1337
Nov.	1375-1380	—24.0	1387-1365
Jan.	1400-1408	—28.5	1410-1390
Mar.	1410-1420	—25.0	1425 1408

Sales: 4,288 (4,061) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 11: Comp. daily 1979 102.24 (101.87); 15-day average 108.61 (109.04).

COCOA

Futures eased on light selling following rumours of producer interest but closed quietly, £4 off on the day. Consumers made limited purchases but physicals interest was generally restricted to price-checking, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
March	1274-1275	—5.5	1281-1274
May	1305-1307	—2.5	1312-1304
July	1335-1336	—3.5	1340-1334
Sept.	1355-1357	—6.0	1365-1357
Dec.	1380-1381	—3.0	1388-1380
March	1404-1405	—2.0	1408-1404
May	1424-1425	—1.0	1425-1425

Sales: 2,753 (1,808) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for March 12: 1,335.84 (1,304.79); 10-day average for March 13: 1,383.73 (1,382.36).

GRAINS

LONDON GRAINS—Wheat: US dark northern spring no. 1 15 per cent April/May 98.50, June 96.75. US no. 2 soft red winter July 89.50. French 11½-12 per cent March 142.25. English feed fob April/June 120.00 paid east coast, April/May/June 121.00 seller, Sept 101.25, Oct/Nov/Dec 124.75, Jan/March 109.00 buyers. Maize: US no. 3 yellow/French transhipment east coast March 145.00. Barley: English feed fob March 113.00 paid Scottish, March 113.00/114.00 buyers/sellers Scottish.

	WHEAT		BARLEY	
Month	Yest'rdy's close	+ or —	Yest'rdy's close	+ or —
	£ per tonne		£ per tonne	
Mar.	117.65	—0.15	118.10	—0.10
May	118.15	—0.30	112.85	—0.45
July	120.20	—0.25	—	—
Sep.	99.80	—0.15	99.50	+0.55
Nov.	101.85	—	101.00	+0.05
Jan.	104.70	—	103.75	+0.05
Mar.	107.10	+0.10	106.10	+0.10

Business done—Wheat: March 118.00-7.65, May 118.50-8.10, July 120.40-0.10, Sept 100.15-99.80, Nov 102.15-1.80, Jan 105.00-4.70, March 107.25-7.05. Sales: 440 lots of 100 tonnes. Barley: March untraded, May 113.50-3.35, Sept untraded, Nov 101.50-1.15, Jan 103.85-3.70, March 106.15. Sales: 87 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: W. Midlands 114.50, N. West 113.00. The UK monetary coefficient for the week beginning Monday March 16 will change to 1.257.

POTATOES

The market was initially firmer in response to a stronger Dutch quote, but interest, especially on the April position, fizzled out during quiet trade to fall back to unchanged by midday. May remained well supported throughout day, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr.	168.50	169.50	171.50-118.50
May	190.10	188.70	192.50-186.50
Nov.	91.40	93.00	91.00
Feb.	99.00	100.50	—
Apr.	122.50	122.50	123.50-122.50

Sales: 855 (781) lots of 40 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.02p per kg lw (+0.49). GB—Sheep 189.92p per kg est dcw (+10.54). GB—Pigs 82.25p per kg lw (+2.15).

FUTURES—Live cattle: April 97.50, June 99.50. Sales: 6. Pigs: April 98.80, June 97.80, Aug 95.40, Nov 101.00. Sales: 34.

RUBBER

PHYSICALS — The London market opened steadier, found little interest throughout the day and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 60.75p (same); April 61.75p (same); May 61.50p (same). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 225.5 (same) and SMR 20 192.5 (191.0).

FUTURES—Index RSS April 192.5 (191.0), April/June 183-185, July/Sept 182-185. Sales: Nil.

US MARKETS

EARLY TRADE buying in gold prompted locals to buy which uncovered commission house stops as the market steadied in light volume, reports Drexel Burnham Lambert. However, following the fix in London, the trade turned seller, local liquidated longs and the market fell to the lows of the day where renewed buying interest emerged to steady prices back towards the close. Platinum futures exactly mirrored the action in gold. In copper early trade buying was absorbed by mixed selling which hit light stops before fresh buying entered the market. Silver was featureless. Energy futures opened lower as expected against easier cash prices and although light trade buying, especially in the crude oil, was noted at the lows, the markets held to a narrow range with trading dominated by locals. The trade was a noted early buyer in coffee, but turned seller later on to take prices lower on the day. Cocoa futures drifted lower on technical selling following the market's failure to move higher earlier in the week. Light industry support was noted. Sugar futures were dominated by local activity. Prices steadied on short-covering in the face of light price-fix selling. The grains were once again quiet. Wheat fell on profit-taking following further reports of China buying under the US support programme. The soya complex traded narrowly, but soyabean meal rallied on reports of Soviet buying of Brazilian meal. The meats rallied as a result of steadier cash prices.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
March	59.30	58.80	—	—
May	58.80	58.40	59.10	58.20
July	57.80	57.40	57.80	57.00
Sept	56.80	56.40	—	—
March	56.40	56.00	—	—
May	56.40	56.00	—	—
July	56.40	56.00	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
March	1879	1891	1875	1870
May	1910	1922	1928	1906
July	1931	1947	1948	1927
Sept	1956	1976	1974	1955
Dec	1986	2000	2002	1986
March	2016	2025	2022	2020
May	2036	2046	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
March	105.84	106.50	106.35	105.05
May	106.84	107.38	108.40	105.80
July	108.76	109.35	110.35	107.80
Sept	110.40	111.35	112.10	109.75
Dec	113.65	114.05	114.00	112.90
March	115.00	115.75	116.00	114.00
May	115.00	116.01	116.00	116.00
July	116.75	115.50	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
March	64.00	63.70	64.25	63.70
May	63.65	63.45	64.15	63.45
July	63.50	63.45	63.80	63.20
Sept	63.80	63.70	64.00	63.45
Dec	64.20	64.15	64.50	63.30
March	64.80	64.05	64.85	64.70
May	65.25	65.05	65.55	65.25
July	65.55	65.45	—	—
Sept	66.00	65.80	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
May	56.70	55.13	57.13	54.85
July	55.45	54.15	56.15	53.65
Oct	53.75	52.85	54.55	52.75
Dec	53.10	52.25	54.25	52.15
May	54.05	53.15	—	—
July	54.45	53.55	—	—

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
April	18.27	18.35	18.25	18.14
May	18.10	18.15	18.10	17.96
June	17.87	17.92	17.86	17.76
July	17.65	17.66	17.67	17.53
August	17.46	17.45	17.48	17.30
Sept	17.25	17.30	17.38	17.15
Oct	17.24	17.20	17.24	17.20
Dec	17.30	17.09	17.30	17.10
Jan	17.20	17.04	17.12	17.12

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 560.0 (555.0) cents per troy ounce.

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
March	406.7	406.9	—	—
April	409.9	408.3	411.8	408.3
May	412.0	410.4	—	—
June	414.3	412.7	416.2	413.6
Aug	418.8	417.1	420.5	417.0
Oct	422.7	421.2	423.5	421.5
Dec	426.9	425.4	428.5	426.0
Feb	431.1	429.7	431.8	431.8
June	439.4	438.0	—	—
Dec	452.7	451.1	454.0	453.0

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
April	50.25	50.24	50.40	49.50
April	50.25	50.24	50.40	49.50
May	49.00	48.83	49.00	48.20
June	48.00	47.75	48.00	47.25
July	47.80	47.42	47.80	47.60
Aug	47.60	47.68	47.55	47.30
Sept	48.15	48.40	48.15	48.00

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
March	130.55	130.50	130.90	130.00
May	132.70	131.45	132.75	131.45
July	133.30	132.55	133.85	132.50
Sept	133.10	132.50	133.45	132.50

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
March	532.6	528.3	534.0	534.0
April	534.6	530.5	536.5	532.0
July	539.8	535.7	543.5	537.5
Oct	544.1	539.9	547.0	543.0
April	553.0	546.8	552.0	552.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
March	563.6	554.7	566.0	556.0
May	569.0	560.0	569.5	562.0
July	575.3	566.4	576.5	568.5
Sept	581.6	572.7	580.0	574.5
Dec	590.9	582.2	591.4	585.5
Jan	594.2	585.5	—	—
March	600.3	591.5	595.5	595.0
May	606.7	597.9	—	—
July	613.4	604.3	611.0	611.0
Sept	620.1	611.3	—	—
Oct	422.7	421.2	423.5	423.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
May	8.11	8.07	8.16	8.01
July	8.22	8.17	8.25	8.13
Sept	8.25	8.22	—	—
Oct	8.32	8.29	8.34	8.22
Jan	8.25	8.22	—	—
March	8.64	8.64	8.64	8.54
May	8.78	8.74	—	—
July	8.87	8.86	8.81	8.81

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
April	64.45	63.62	64.55	63.25
June	60.90	60.42	61.05	60.10
August	58.02	57.67	58.12	57.50
Oct	57.62	57.25	57.65	57.00
Dec	57.65	57.45	57.70	57.05
Feb	57.10	56.95	57.27	57.10
April	58.05	58.05	58.50	—

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
April	44.97	44.90	45.00	44.40
June	46.87	46.57	46.95	46.45
July	46.05	45.92	46.32	45.90
August	43.82	43.35	43.77	43.37
Oct	38.77	38.65	39.00	38.75
Feb	38.90	38.75	38.90	38.75
April	36.75	36.70	36.80	36.50
June	38.40	38.25	38.45	38.30

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
March	155.6	155.0	156.4	155.2
May	157.2	156.6	158.0	156.4
July	160.6	160.4	161.4	160.0
Sept	165.0	164.6	166.2	164.4
Dec	173.2	174.0	175.0	173.0
March	180.6	181.6	182.4	180.4
May	182.0	183.0	184.4	182.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
March	65.50	65.05	65.70	64.75
May	65.45	65.15	65.75	64.70
July	63.67	63.22	63.90	62.85
August	61.20	60.65	61.35	60.40
Feb	55.25	55.25	55.45	55.25
March	54.65	55.20	55.30	54.55

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
March	498.0	498.0	499.0	495.6
May	490.6	489.4	491.0	489.4
July	489.0	486.6	489.4	487.4
August	487.0	484.6	487.2	485.2
Sept	480.2	476.4	480.6	477.4
Nov	479.4	474.6	480.0	475.6
Jan	485.6	481.0	485.0	482.0
March	492.5	488.0	492.5	490.0
May	497.0	492.4	497.0	496.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
March	140.8	140.0	141.6	140.2
May	138.8	137.4	139.0	137.8
July	137.2	136.0	137.8	136.4
August	137.1	136.0	137.3	136.3
Sept	136.3	135.5	136.7	136.3
Oct	136.0	135.2	136.6	135.5
Dec	137.0	136.0	137.5	136.0
Jan	137.3	136.8	137.3	137.2
March	138.2	138.0	139.0	138.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
March	15.86	15.80	15.96	15.82
May	16.13	16.16	16.23	16.09
July	16.44	16.46	16.55	16.42
August	16.54	16.54	16.65	16.51
Sept	16.69	16.65	16.69	16.60
Oct	16.68	16.70	16.75	16.62
Dec	16.86	16.80	16.95	16.81
Jan	16.82	16.80	16.86	16.82

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
March	293.6	297.4	297.4	293.4
May	283.6	287.4	288.4	283.4
July	262.6	264.6	265.0	262.0
Sept	262.0	263.4	265.0	261.4
Dec	268.6	270.2	271.6	268.4

SUGAR

Commission house stop-loss liquidation was touched off but this was easily absorbed and prices recovered, reports C. Czarnikow.

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
May	181.8-181.8	181.4-181.6	182.8-175.0
Aug	185.3-184.0	183.0-183.6	184.9-181.8
Oct	185.4-185.6	186.5-186.2	185.8-183.8
Dec	188.0-190.0	188.0-190.0	—
Mar	192.0-192.6	192.6-192.4	191.8-189.4
May	194.8-196.8	194.0-195.0	—
Aug	196.0-196.8	197.8-197.4	—

Sales: 1,816 (3,021) lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $198.50 (£124.50), down $5.50 (down £3.50) a tonne for March/April delivery. White sugar $212.00, down $3.00.

Tate and Lyle delivery price for granulated basis sugar was £230.00 (£234.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for March 11: Daily price 7.88 (8.08); 15-day average 7.71 (7.86).

PARIS—(FFr per tonne): May 1325-1335, Aug 1350-1355, Oct 1371-1380, Dec 1385-1400, March 1420-1440, May 1465-1475.

FREIGHT FUTURES

The market was firm on the back of rumours of higher physical prices, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	855/840	855/834	817/820
July	798/800	802/790	791/785
Oct.	879/880	879/864	858/858
Jan.	872/875	875	864
Apr.	870/890	875	850/860
July	760/770	—	740/750
Oct.	850/875	—	840/850
Jan.	910	920	910
BFI.	883.5	—	873

Turnover: 586 (354).

GAS OIL FUTURES

Month	Yestrdy's close	+ or —	Business Done
	US $ per tonne		
Apr.	146.50	—3.75	151.50-147.75
May	144.50	—3.50	149.25-145.00
June	143.75	—3.50	147.50-144.25
July	145.50	[illegible]	[illegible]

Turnover: 4,298 (5,498) lots of 100 tonnes.

OIL

Brent traded moderately within a narrow range. April WTI opened 17c down on Nymex and traded 14c down at 1.30 pm EST after thin morning trade within a narrow 11c range. In the petroleum products market gas oil and naphtha fell on withdrawn prompt buying interest. Gasoline cargoes rose on demand for coasters—Petroleum Argus, London.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.80-16.85	—0.125
Brent Blend	17.75-17.80	—0.175
W.T.I. (1pm est)	18.20-18.25	—0.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	193-197	+9
Gas Oil	147-149	—5
Heavy fuel Oil	95-96	—1
Naphtha	165-168	—4.5

Petroleum Argus estimates.

HEAVY FUEL OIL

Month	Yesterday close	+ or —	Business Done
	US $ per tonne		
Apr.	90.50	—4.50	93.00-90.50
May	88.25	—3.75	90.50-88.50

Turnover: 15 (3) lots of 100 tonnes.

India buys white sugar

INDIA yesterday bought two cargoes of white sugar from London traders for April/May shipment and granted the trade houses the option to sell an additional two cargoes at the same price for May/June shipment, the companies involved said.

E. D. and F. Man and Woodhouse, Drake and Carey both said they sold single cargoes at $237.35 a tonne cif for April/May and were granted options to sell an extra cargo each at the same price for May/June

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CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling pauses for breath

STERLING LOST ground in currency markets yesterday but finished above the day's lows on late bying. Trading was relatively calm after the hectic scenes experienced earlier this week and while the pound retained its underlying attraction, the market took the opportunity to pause for breath.

There were signs that the Bank of England had been active on Wednesday to try and keep the pound below the $1.60 level. In addition there was speclation that the US Federal Reserve Board had sold a small amount of dollars or at lest made inquiries in the market and this effectively nipped n the bud any thoughts about testing the dollar's upward potential. With the dollar firmly locked in a relatively tight range, sterling's lost ground against its European partners as speculators took profits.

The pound closed at $1.5880 from $1.5910 and DM 2.9550 compared with DM 2.9775. Against the yen it eased to Y244.0 from Y244.75. Elsewhere it closed at FFr 9.90. On Bank of England figures, the pound's exchange rate index fell to 72.3 from 72.7 at the opening and Wednesday's close. During the afternoon it touched a low of 72.1.

The dollar stayed in a tight range but finished weaker on the day. News of a 4.1 per cent rise in US retail sales which included a 15 per cent increase in the non-auto element appeared to have little effect even though it was sharply better than January's revised fall of 7.4 per cent.

The dollar fell to DM 1.8605 from DM 1.8715 and Y153.60 from Y153.80. Elsewhere it slipped to SFr 1.5595 from SFr 1.5700 and FFr 6.19 from FFr 6.2225. On Bank of England figures, the dollar's exchange rate index fell from 104.6 to 104.2.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.7870. February average 1.8234. Exchange rate index 146.5 against 139.7 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was quoted at DM 1.8567 down from DM1.8580. The dollar's inability to break out of recent trading ranges was as much to do with a switch in trading volume to sterling as with fears about central bank intervention. At the moment there is insufficient impetus to push the dollar out of its recent trading range because there is not enough volume. Central banks have previously conceded that their effect on currency trends is limited to fine tuning rather than establishing a new direction through heavy intervention. The dollar closed at DM 1.8590 compared with DM 1.8690 on Wednesday.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 151.30. February average 153.36. Exchange rate index 220.8 against 216.3 six months ago.

Trading was extremely quiet and lacklustre in Tokyo. The dollar showed a small improvement against the D-Mark as the latter showed some sign of weakness after poor GNP figures. However, suggestions that the US Fed may have intervened to keep the dollar within its recent trading range brought the dollar back and effectively removed any remaining incentive to establish a firm direction. The dollar closed at Y153.70 from Y153.85 in New York and Y153.55 in Tokyo on Wednesday.

NIGERIAN NAIRA—The Naira lost ground against the dollar at yesterday's auction in Lagos. The dollar rose to 3.8999 naira compared with 3.8050 the previous week. Once again not all of the $50m on offer was taken up because 14 banks were prohibited from making bids because of unsatisfactory documentation at previous auctions.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0499	+1.39	+1.49	±1.5344
Danish Krone	7.85212	7.82081	−0.40	−0.10	±1.6404
German D-Mark	2.05853	2.07919	+1.00	+1.30	±1.0982
French Franc	6.90403	6.91834	+0.21	+0.51	±1.3674
Dutch Guilder	2.31943	2.34864	+1.26	+1.56	±1.5012
Irish Punt	0.768411	0.776232	+1.02	+1.32	±1.6684
Italian Lira	1483.58	1477.32	−0.42	−0.42	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Gilts fall back

TRADING REMAINED active, at around 32,000 lots, in long term gilt futures on the London International Financial Futures Exchange yesterday, but dealers described it as a day of consolidation. It was not regarded as very surprising that the contract fell back, after recent sharp gains.

There was some profit taking, mainly by local traders, but foreign interest in gilts appeared to remain strong, and the undertone was bullish, ahead of next week's Budget, in spite of a little alarm on reports of selling by Japanese investors at the day's peak levels.

June delivery long gilt futures opened firm at the day's high of 123-08, and fell to a low of 122-10, trading off the back of a weaker pound.

Dealers reported renewed buying at the close however, lifting the June contract to 122-13 at the finish, compared with 123-04 on Wednesday.

Three-month sterling deposit futures showed a similar trend, with June delivery opening at the day's peak of 90.75, and recovering from a low of 90.65, to close at 90.68, compared with 90.74 previously.

Traders appeared uncertain whether the Budget would herald a cut of ½ per cent or 1 per cent in UK bank base rates, and priced the contract in between.

US Treasury bond futures traded quietly, recovering from the low touched on news that February US retail sales rose 4.1 per cent, compared with forecasts of 2.5 per cent to 3 per cent. The recovery from the day's low of 99.24 for June delivery, followed a downward revision to the January retail sales figures; a slight easing of the Federal funds rate; and a decline in oil prices. The contract closed just off the day's high at 100-12.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	10.38	10.57	0.06	0.23
114	8.37	8.53	0.11	0.39
116	6.46	7.34	0.20	1.00
118	5.04	5.48	0.42	1.34
120	3.43	4.30	1.17	2.16
122	2.26	3.27	2.00	3.13
124	1.35	2.44	3.09	4.30
126	0.60	1.59	4.34	5.45

Estimated volume total, Calls 1,543 Puts 1,052
Previous day's open int: Calls 14,584 Puts 9,715

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	8.25	7.43	0.02	0.21
94	6.27	5.62	0.03	0.42
96	4.35	4.30	0.11	1.10
98	2.58	3.15	0.34	1.57
100	1.35	2.12	1.11	2.56
102	0.45	1.27	2.21	4.07
104	0.17	0.56	3.57	5.36
106	0.05	0.33	5.45	7.33

Estimated volume total, Calls 80 Puts 0
Previous day's open int: Calls 226 Puts 251

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last March	Calls—Last April	Puts—Last March	Puts—Last April
19000	8.97	12.92	0.32	0.92
19250	6.83	10.89	0.68	1.39
19500	4.93	9.02	1.28	2.02
19750	3.36	7.33	2.21	2.83
20000	2.14	5.84	3.49	3.84
20250	1.27	4.56	5.12	5.06
20500	0.70	3.48	7.05	6.48
20750	0.36	2.60	9.20	8.10

Estimated volume total, Calls 6 Puts 20
Previous day's open int, Calls 706 Puts 581

MONEY MARKETS

Large shortage

THE LONGER end of the London money market had a slightly firmer tone yesterday, as dealers positioned themselves ahead of next Tuesday's Budget. A very large day-to-day credit shortage did not prove a problem, after the Bank of England provided an early repurchase agreement on attractive terms as far as the discount houses were concerned.

The only complaint was that yesterday's agreements were longer than themarket would have liked. Dealers expect another large shortage today, and withthe approach of the Budget, when it is expected base rates will be cut by at least ½ per cent, there was hope the authorities may offer a shorter dated repurchase agreement, providing today's shortage lies with the houses.

Three-month interbank was unchanged at 10-9⅞ per cent.

UK clearing bank base lending rate 10½ per cent since March 10

The Bank of England initially forecast a money market shortage of £1,550m, but revised this to £1,600m at noon. Total help on the day was £1,503m.

In an early round of assistance the authorities bought £1,059m bills for resale to the market on March 31, at rates of 10$\frac{7}{16}$-10$\frac{13}{32}$ per cent.

Before lunch the Bank of England purchased another £442m bills, including £13m outright, by way of £8m Treasury bills in band 1 at 10⅜ per cent and £5m bank bills in band 1 at 10⅜ per cent. At that time £429m bills were also bought for resale to the market on April 2 at 10$\frac{7}{16}$ per cent.

In the afternoon £2m bank bills were bought outright in band 2 at 10$\frac{5}{16}$ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £957m, with the unwinding of repurchase agreements absorbing £542m; Exchequer transactions £15m; and a rise in the note circulation £25m. These outweighed bank balances above target of £10m.

In Frankfurt money market conditions were calm and steady. Excess liquidity of DM 6.7bn was provided through a tender for a securities repurchase agreement with the Bundesbank earlier this week, but about DM 6bn will flow out of the market as foreign central banks, mainly the Bank of France, repay money borrowed from the Bundesbank in January, before the last realignment of the European Monetary System. West German banks also have to prepare for a draining of funds next week, as tax payments on behalf of customers fall due. Call money in Frankfurt eased to 3.75 per cent from 3.80 per cent yesterday.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 11, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

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ECU=$US1.12056 SDR1=$US1.26049
As of March 11, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6$\frac{9}{16}$	6$\frac{9}{16}$
Sibor:	6½	6½

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100 1/32	93 5/8	Funding 6½pc 85-87	99 [illegible]	.....	6.52	8.85
101 1/8	96 [illegible]	Treas. 10pc 1987	100 [illegible]	– [illegible]	10.00	9.69
98 [illegible]	93 7/8	Treas 3pc 1987	98 [illegible]	– [illegible]	3.04	7.18
104 1/2	99 7/8	Treas. 12pc 1987	101 [illegible]	– [illegible]	11.82	9.50
99 1/4	92 [illegible]	Treas 7¾pc 1985-88‡‡	98 7/8	.....	7.84	9.14
104	96 1/4	Exch 10½pc '88	101 [illegible]	.....	10.38	9.41
102 5/8	95 1/8	Treas 9¾pc Cv '88	100 [illegible]	+ [illegible]	9.71	9.31
95 [illegible]	86 5/8	Transport 3pc '78-88	95 [illegible]	.....	3.15	6.76
102 1/4	93 [illegible]	Treas. 9½pc '88	100 [illegible]	+ [illegible]	9.49	9.43
107 [illegible]	98 [illegible]	Treas 11½pc 1989	103 [illegible]	– [illegible]	11.10	9.40
103 1/4	93 1/4	Treas 9½pc Cnv 1989	100 [illegible]	+ [illegible]	9.47	9.33
92 [illegible]	82 [illegible]	Treas 3pc 1989	92 [illegible]	– [illegible]	3.24	6.72
105 [illegible]	95 [illegible]	Treas 10½pc 1989	102 1/4	– [illegible]	10.28	9.35
104 [illegible]	94 1/4	Exch 10pc 1989	101 [illegible]	– [illegible]	9.87	9.37
107 [illegible]	97	Exch 11pc 1989	103 [illegible]	– [illegible]	10.61	9.30
93 [illegible]	84 1/2	Treas 5pc 1986-89	93 [illegible]	.....	5.34	7.72
110 [illegible]	94 5/8	Exch 10¼pcCv '89	105 1/2	.....	9.75	8.08
114 [illegible]	103 [illegible]	Treas 13pc 1990‡‡	109 1/4	– [illegible]	11.89	9.17
108 1/4	97 1/4	Exch 11pc 1990‡‡	104 1/4	– [illegible]	10.54	9.23
113 1/4	101 [illegible]	Exch. 12½pc 1990	108 [illegible]	– [illegible]	11.53	9.24
89 1/4	79 5/8	Treas. 3pc 1990	88 1/4	+ [illegible]	3.38	7.04
100 [illegible]	89 1/4	Treas 8¼pc 1987-90‡‡	98 1/4	.....	8.38	8.80
106 [illegible]	93	Treas. 10pcCv 1990	102 [illegible]	– [illegible]	9.80	9.30
86 1/4	76 1/2	Exch 2½pc 1990	86 [illegible]	.....	2.90	6.78
112 [illegible]	99 [illegible]	Treas 11¾pc 1991	107 3/4	– [illegible]	10.91	9.28
94 1/4	83 [illegible]	Funding 5¾pc '87-91‡‡	91 [illegible]	.....	6.27	8.16
[illegible]	79 [illegible]	Treas. 3pc 1991	85 [illegible]	.....	3.51	7.06

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

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INDUSTRIALS—Continued

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Financial Times Friday March 13 1987

INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
128	81	Monks & Crane 10p	124	−2	L2.7	2.9	3.1	15.2
339	210	Morgan Crucible	315	+4	18.5	1.5	3.8	20.9
24	15½	Morris (W) F.A. 20p	21½	−½	—	—	—	—
198	65	Mysoe Grp 10p	197	+3	—	—	—	—
365	213	NMW Computers	310	+5	f2.63	2.6	1.2	25.4
225	27	Nash Inds	193	−4	6.0	1.0	2.2	17.8
27½	12½	Neill & Spencer 10p	18	−½	1.5	2.6	1.1	49.9
47	28	Newman Inds 10p	46	+½	—	—	—	—
134	65	Noble & Lund 10p	84		0.8	1.5	2.4	35.2
170	151	Nobo Group 10p	169	+1	0.7	4.3	1.2	27.1
65	39	Norton	52		R4.75	2.8	4.0	12.8
169	96	Norsk Systems 5p	149	+4	1.2	2.9	3.3	14.9
381	187	Norcros	379	+2	m1.5	—	1.3	21.7
307	49	Nu-Swift 5p	304	+1	T9.3	2.3	3.5	17.3
£366½	£228	OCE 9pc Cnv 1987-92	£347½		9%	—	3.7	—
143	80	Oakwood Grp	141		—	—	—	—
250	173	Office & Elect	201		4.0	0.6	4.0	54.2
53	26	Omnitech 1p	53		8.5	2.9	6.0	8.2
36	18	Optoelectrnics $0.01	21		—	—	—	—
920	500	Oriflame £1	920		—	—	—	—
10	5	Owenstone 12½p	8	+½	29.5	♦	4.6	♦
253	85	PCT Grp 10p	150		3.2	1.9	12.5	4.2
£224	£131¼	PLM 'B' Sk 25	£197½	+1½	Q32	—	4.4	—
255	160	Pacer Systems $0.01	200		Q24%	♦	3.1	♦
242	97	Pacific Dunlop $0.5	215		Q5c	♦	1.6	♦
78	44	Pacific Sales 10p	70	+1	11.3c	2.1	2.3	21.6
580	246	Parker Knoll 'A'	580	+3	3.0	1.4	6.9	15.7
268	83	Parkfield Group 2p	248		12.0	3.2	2.9	25.1
53	17	Pavion Intl	28		13.6	4.2	2.0	15.8
£130	£64½	Do 11pc CvLn '94-02	£95½		—	—	—	7.4
617	393	Pearson	570	+15	Q11%	—	12.5	—
74½	12	Peek Holdings 3p	74	+½	10.0	2.8	2.5	18.5
202	88	Peerless	200		—	—	—	—
660	141½	Pentland 10p	655		16.3	2.0	4.4	13.0
£14	775	Photo-Me	£12⅝		10.75	22.4	0.2	37.1
792	315	Pilkington Br. £1	750	+2	15.75	11.7	0.6	16.5
378	68	Do. Warrants	350		F22.0	2.3	1.4	41.9

INSURANCES

LEISURE

LEISURE—Continued

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
94	32	Leisure Inv 10p	94	+3	0.36	7.4	0.5	31.6
112	55	Leisuretime Intl 10p	84	−2	2.3	0.9	3.9	44.5
125	91	Lonrho	113	+1	3.3	3.4	3.3	12.7
177	71	Marina Dev 50p	120	−4	R3.3	3.0	3.7	11.5
196	143	Mecca Leisure 10p	187	+1	4.1	1.0	3.1	24.6
220	86	Media Tech Intl 20p	131	+1	2.8	4.5	3.0	10.1
215	130	Medminster 10p	173	−5	25	1.9	5.1	14.4
270	216	Mountleigh Lsrs 50p	263		4.0	3.9	2.1	12.8
220	130	Mons World 10p	200	+2	6.0	♦	4.3	♦
90	62	Nationwide Leisure	76		—	—	4.6	♦
17	6	Ohemdo Intl 20c	10		—	—	—	—
94	23	Omnicorp Inns	55		Q0.5c	8.0	0.3	39.1
294	214	Owners Abroad 5p	213	+2	—	—	—	—
62½	23	Photo-Me	58	−3	a1.8	♦	4.5	♦
175	46	Pleasurama	110	−25	—	—	—	—
78	25½	P'dilly Radio NV 5p	73		2.0	1.4	3.9	25.0
95	25½	Pineapple 10p	88		—	—	—	—
391	280	Pleasurama 5p	361		17.5	3.6	2.9	13.5
178	136	Do 7pcCvCnvRedPf	161	−2	7%	—	6.1	—
157	94	Prestwich	139	−3½	0.85	6.9	0.9	22.5
93	18	Radio City 'A' NV	91		—	—	—	—
89	39	Radio Clyde NV	88	+2	3.5	1.6	9.6	15.9
481	322	Ready Mixed Gre 5p	455		11.25	2.2	3.5	18
70½	36½	Riley Leisure 10p	60	−½	—	—	—	—
230	129	Saga Hols 20p	165		4.6	2.6	3.9	14
355	148	Samuelson Grp 20p	175		2.4	6.5	1.9	10
123	69	Sangers Photo 10p	101	+8	12.2	1.5	3.1	30
178	93	Scantro 20p	114	−2	4.0	3.5	4.9	8
453	175	Scot. TV 10p	453	+2	10.5	3.3	3.3	13
27	7	Solec TV 10p	18½		—	—	—	—
37	19	Spectrum 5p	22	+1	—	—	—	—
310	119	Stanley Leisure	272	−6	3.25	2.8	1.7	30
68	31	TSW 5p	67	+1	2.05	2.6	4.3	12
325	137	TV am 10p	325	+7	R5.75	2.6	2.5	21
380	144	TVS N/Vtg 10p	372		10.0	♦	3.8	♦
188	59	Television Secs 50p	78	+1	12.0	2.9	3.6	12
455	219	Thames TV	455	+11	9.5	1.9	2.9	25

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THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

LONDON STOCK EXCHANGE

Government bonds trade lower but equity sector firmer in sluggish trading

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb 23	Mar 5	Mar 6	Mar 16
Mar 9	Mar 19	Mar 20	Mar 30
Mar 23	Apr 2	Apr 3	Apr 13

* New time dealings may take place from 9.00 am two business days earlier.

The UK Government bond market traded slightly easier yesterday as the marketmakers and trading houses began to square their positions ahead of next week's Budget Speech from the Chancellor of the Exchequer. Good trading volume at the lower levels was reported and bonds appeared undisturbed by the easier trend of the pound.

The equity market lacked heart for most of the session, but was led higher towards the close by the internationals. After fluctuating narrowly during the day, the FT-SE 100 index ended a net 10.3 up at 1989.7. The FT ordinary index added 6.6 to 1578.0.

The gilt-edged sector was busy absorbing the £400m partly-paid tap stock bought out on Wednesday, as well as the £200m sold by the authorities a week ago. The latest partly-paid tap traded at £40⅝, an uncomfortable loss for trading houses which hurried to take the stock off the authorities at £41 on Wednesday morning.

However, there were no signs of strain, and confidence in prospects for Budget cuts in tax rates and for further reductions in bank base rates remained undimmed.

Equities looked quite firm at the end of the session. The fall in the pound helped Imperial Chemical Industries. Shell continued to find buyers as did Glaxo.

Consumer stocks held steady as traders waited for favourable news from the Chancellor. Bass again stood out among the brewers, while Guinness attracted support.

The best feature was Reuters, well bought from the US on rumours of impending changes in the stock profile. On May 1, the trustee holders will be able to change some of their non-voting shares into equity, which will enable interested parties to build up holdings in the company. Alternatively, according to some market rumours, the stock may be split.

Bank shares remained firm behind analysts' comments that lower interest rates will boost volume of the banks' highly profitable consumer loans business.

Royal Bank of Scotland continued to reflect hopes of a bid from Hongkong and Shanghai and rose 5 afresh to 329p; HK & S closed a fraction off at 78½p. Irish banks revived strongly, finishing the session with double-figure gains as investors found stock in short supply. Allied Irish advanced 13 to 253p and Bank of Ireland appreciated 23 at 253p. Union Discount, sharply higher earlier this week as an overseas buyer acquired a near5 per cent stake in the company, improved 5 afresh to 873p. Among Hire Purchases, Cattles Holdings reflected disappointment with the preliminary results and dropped 7½ to 65½p.

Price movements in Insurance usually favoured holders. Lloyds Broker Minet attracted revived speclative support and closed 12 to the good at 257p. Equity and Law, in which Mr Ron Brierley's IEP Securities holds a sizeable stake, added 3½ at 346½p, while Prudential rallied 5 at 884p. Composites perked up with GRE closing 7 higher at 919p and Royals 6 better at 990p.

Housebuilders Wilson Bowden staged a highly satisfactory market debut, the shares opening with an expected premium of some 10p against an offer price of 130p; the final quote was 138p. In the Unlisted Securities Market, Misys, a computer systems concern, settled at 134p compared with the placing price of 95p.

British Airways made good progress following details of encouraging traffic results and the price moved up 4p to 122½p.

Institutional investors were about for Bass, up 11 more at 960p, and for Wolverhampton and Dudley, which moved forward 7 to 324p. Guinness was another stock on many buying lists and rose 8 to 326p during a turnover of 10m shares. Continuing hopes of only a modest excise duty increase in next Tuesday's budget lent support to the sector. H. P. Bulmer improved initially on a newspaper suggestion of a definite bid approach but reacted when the group Finance Director said the report was "totally without foundation." After fluctuating between 202p and 195p, the shares firmed late to 203p.

Leading Buildings were inclined easier in the absence of further buying interest. Tarmac shed 8 to 528p and Redland slipped 4 to 470p. Costain came under selling pressure on rumours of a broker's adverse circular and the price dipped 15 to 615p. John Laing encountered profit-taking at 504p, down 8p, while AMEC cheapened 1½ to 332½p. Elsewhere, Raine Industries moved up 5 to 103½p on institutional buying, while Stanley Miller, reflecting speculative demand in a market short of stock, put on 8 more to 76p. Sharpe and Fisher touched 180p following the good annual results before easing back to close 3 cheaper on balance at 175p. Scrappy selling clipped 9½ from Federated Housing at 185p. Johnstone's Paints firmed 12 to 150p in response to Press comment.

Next reflected relief that the excellent interim figures — pre-tax profits up sharply to just over £30m from £12.4m — was not accompanied by the widely-rumoured rights issue and moved forward to close 28 higher on balance at 321p. This boosted sentiment in other leading retailers with Sears closing 4 up at 138p and Storehouse a few pence dearer at 314p. Secondary issues featured European Home Products 15 higher at 186p in response to the better-than-expected preliminary results. Allebone continued firmly at 69p, up 6, with the new nil-paid shares a similar amount better at 16p. Empire put on 13 at 213p and Share Drug appreciated 10 at 285p. Renewed speculative buying lifted Frank Usher 6 to 128p, but profit-taking on fading hopes of a bid from Woolworths clipped a further 3 from Underwoods, at 247p.

Reflecting a Salomon Bros push for the company's shares to have a full listing in the US, Holmes Protection attracted renewed speculative buying and closed the session 17 higher on balance at 161p. Elsewhere in Electricals, Apricot Computer returned to prominence, rising 7 to 70p, as brokers Chase Manhattan forecast a strong profits recovery after lunching with the company. Apricot, which sustained heavy losses last year, have been revitalised by strong computer sales and Chase forecast a £4m profit for the current year and £8m next. Britannia Securities firmed 11½ to 196p and Unitech jumped 12 at 262p, while improvements of 6 and 8 respectively were seen in Wordplex, 113p, and D. J. Security Alarms, 152p. Among the leaders, British Telecom gave up 3 to 243p following the satisfactory third-quarter figures and GEC continued to reflect a Smith New Court profits downgrading with a fall of 3 to 213p. Plessey, meanwhile, firmed 4½ to 246½p on hopes of new System X contracts from abroad and Racal revived with a rise of 6 at 244p. Cable and Wireless rallied late to finish 6 dearer at 365p.

Engineers again recorded several noteworthy movements. Glynwed were good at 396p, up 10, following preliminary figures which came at the top end of market estimates. Speclative active continued in Ransomes Sims, up 7½ more at 271p, and revived inn Manganese Bronze, 13 to the good at 156p. APV rose 12 further to 701p following the annnouncement that it had received for its offer amounnting to 40.8 per cent from Baker Perkins shareholders; the latter improved 9 to 355p. In contrast, profit-taking clipped 4 from 600 Group at 140p after the previous day's speculative flurry. Crown House fell afresh to close another 10 down at 215p, while Tex Holdings gave up 8 to 103p.

The Food sector displayed several significant price movements. Tate and Lyle continued to respond to domestic and overseas demand and rose 15 more to 769p, while United Biscuits, reflecting demand ahead of next Wednesday's figures, gained 4 to 277p. Among Retailers, recently-overlooked Argyll firmed 8 to 405p annd Dee Corporation improved 6 to 234p. Elsewhere, Rowntree Mackintosh were steady at 497p, the increased annual profits having been discounted. Booker, results due shortly, put on 9 to 422p, while Hillsdown hardened a penny to 272p following mildly bullish comment on the annual results. Among the second-liners, Park Food found support at 213p, up 13 and Hazlewood firmed 2 to 198p.

Hotels were featured by Trusthouse Forte which moved ahead strongly following the revival of institutional buying to close 8 higher at 216½p.

International stocks passed a quiet trading session. The easier trend in sterling on foreign exchange markets failed to enliven interest, although Glaxo managed a small improvement of ⅛ at £15¼. Boots, a poor market after a meeting with analysts earlier in the week, traded on a much steadier note and closed a shade better at 290p. Comment on the preliminary figures failed to inspire BTR which settled unaltered at 336p. Elsewhere, Reuters continued to make headway on persistent buying from the US and closed 31 to the good at 717p. Stat-Plus, still reflecting the good preliminary figures, advanced 10 more to 570p, while Mitchell Cotts responded to the encouraging interim statement with a gain of 4 at 59½p. Pearson, scheduled to reveal preliminary figures next Monday, advanced 15 to 570p. Demand revived Rank Organisation which improved 10 to 658p, but British Aerospace, still reflecting funding uncertainties over the new generation of Airbus airliners, fell that amount to 635p. Speculative activity revived in J. H. Fenner, up 7 at 177p, while Hyman improved 3½ to 44p with the help of traditional option business. Press mention prompted a gain of 6 to 103p in Continuous Stationery. Fresh support left Securicor 13 to the good at 285p and CH Industrials up 3 further at 157p. Johnston Group came to life with a rise of 17 to 425p.

Among Leisure issues, Tottenham Hotspur rose 7 to 98p on the announcement that Mr Tony Berry, chairman and chief executve of Blue Arrow, had agreed to take a 4 per cent stake in the company at 110p per share and has joined the board as a non-executive director. Tyne Tees TV rose 52 to 482p in reply to the good annual results and optimistic statement. GRA gained 9½ to 108p following a bid approach.

Still beset by currency influences, Jaguar drifted back on a volume of only 1.6m shares to close 11 lower at 557p. The possibility of industrial action over the operation of group pension funds and the plan to end national pay bargaining for staff stifled interest in Lucas Industries, slightly easier at 588p, but Kwik-Fit rose 5 to 148p on speculation that Woolworth could be eyeing the group. Takeover rumours also inspired buying of Glanfield Lawrence, 7 higher at 135p, and of Hartwell, 4 dearer at 108p. After-the-event selling, the annual results equalled best expectations, put Appleyard down 10 to 246p.

An excellent preliminary statement pushed William Collins issues higher, the ordinary gaining 10 to 520p and the A 20 to 445p. Trinity International advanced 20 further to 670p, while EMAP A improved to 169p following the proposed £16.6m acquisition of Senews, 75 per cent-owned by Ladbroke. A broker's lunch with EMAP was concluded favourably yesterday. BPCC benefited from a broker's meeting the previous evening, although no new developments emerged, and closed 20 up at 348p, while Ault and Wiborg revived with a rise of 5 to 125p. Hunterprint moved forward 20 to 408p and KLP were 15 higher at 380p, but Bunzl weakened 4 to 224p. USM-listed Yellowhammer bounded 23 to 186p among Advertising Agencies where Abbott Mead Vickers gained 10 more to 340p; the latter has gained the British Telecom corporate account. Gold Greenlees Trott rose 5 more to 280p.

Buyers returned for selected Property issues and Land Securities featured with a rise of 7 at 372p. MEPC hardened a couple of pence to 351p following a broker's visit to the company. Egerton Trust revived strongly and gained 8 to 159p, while Dares Estates, still reflecting property acquisition news, added a penny more to 36½p. Control Securities were a firm market at 23½p, up 1½, while Apex continued to respond to Randsworth Trust's increased stake with a fresh gain of 5 at 130p.

Textile investors became less cautious as the exchange rate eased back from its recent high levels. Courtaulds recovered 4 to 379p while more spectacular gains were scored by Dawson International, 16 higher at 272p, and Kingsley and Forester, 7½ up at 73p. John Haggas rose 8 to 177p and Lister & Co pulled out of their previous two-day decline to end 7 firmer at 180p. Dealings were restored in Pantherella after the agreed offer from GUS and the close was 198p, compared with Tuesday's suspension price of 170p.

Financial Trusts sported good gains with Argyle rising 14 further to 142p and Biotechnology Investments advancing to 181p before a close of 8 up on balance at 178p. Fresh demand in a restricted market lifted Authority Investment 20 to 403p, while Centreway improved 5 to 63p and Kakuzi a like amount to 108p. Berkeley Technology marred the overall scene with a fall of 7 to 233p. Investment Trusts continued higher, Keystone adding 6 at 368p and Moorgate 7 more at 520p. CSC slipped 5 to 198p after the full-year results.

The Oil majors gave modest ground initially, but rallied strongly late in the session as overseas buyers appeared. British Petroleum, finished 6 higher at 809p, after 799p, while Shell settled ⅛ higher at £11⅛. Britoil recovered from 198p to close unchanged at 200p, while LASMO picked up from 215p to close a penny dearer on balance at 220p. Ultramar gained 15 to 205p following comment on the annual results, while British Gas hardened ½ to 80½p, after 79½p. Elsewhere, Lysander Petroleum shed 11 to 34p following the poor interim results.

Strong support was encouraged of Polly Peck by a financial press report suggesting that the institutions were now clamouring for the shares.

Firm bullion prices helped gold mining stocks to extend their recovery. Demand was thin, however, and mostly came from the US. Continental investors stayed on the side lines.

At the close, the FT Gold Share index was 7.2 up at 331.3. Southvaal and Harmony stood out strongly, and there was selective demand for the finance houses.

Diamonds again lacked features, De Beers again failed to extend the gain which preceded the trading figures reported earlier this week.

Traded Options

Demand for Traded Options improved with total contracts struck amounting to 46,739—31,843 calls and 14,896 puts. British Airways were active with 4,365 calls arranged—1,596 in April 120s'—while 3,098 calls were done in Boots.

Traditional Options

- First dealings March 2
- Last dealings March 13
- Last declaration June 11
- For Settlement June 22

For rate indications see end of Unit Trust Service

Money was given for the call of Berkeley and Hay Hill, Property Trust, Kwik-Fit, Astra Industrial, FJC Lilley, Central and Sheerwood, Ryan Hotels, Common Bros., Control Securities, Premier Consolidated, Hyman, Norfolk Capital, United Guarantee, TV-am, Regalian, Excalibur, Dares Estates, Stone International, Sears, Blackwood Hodge, Brent Walker, Spong, Burndene, Mitchell Cotts, Polly Peck, Amstrad, Aran Energy, Rothmans, Pentland Industries and Wellcome. Thames Mining and Ultramar were dealt in for the put, while double options were arranged in Rotaprint and Hawley Group.

FINANCIAL TIMES STOCK INDICES

	Mar. 12	Mar. 11	Mar. 10	Mar. 9	Mar. 6	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	89.89	90.12	89.58	89.25	89.52	88.43	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.55	95.51	95.13	95.13	94.69	92.97	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,578.0	1,571.4	1,586.4	1,576.3	1,601.4	1,350.6	1,613.5 (3/3/87)	1,094.3 (14/1/86)	1,613.5 (3/3/87)	49.4 (26/6/40)
Gold Mines	331.3	324.1	322.2	329.6	338.2	331.0	346.7 (5/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.71	3.72	3.69	3.71	3.64	4.03				
Earnings Yld.%(full)	8.60	8.64	8.59	8.64	8.48	9.58				
P/E Ratio (net) (*)	14.25	14.19	14.27	14.19	14.46	12.95				
SEAQ Bargains (5 pm)	46,032	49,829	46,183	53,342	52,723	—				
Equity Turnover (£m)	—	1,452.21	1,333.91	1,359.62	1,837.98	1037.33				
Equity Bargains	—	56,688	57,931	64,128	66,542	43,098				
Shares Traded (ml)	—	600.1	620.0	615.4	691.5	428.1				

S.E. ACTIVITY

Indices	Mar. 11	Mar. 10
Gilt Edged Bargains	189.3	208.5
Equity Bargains	367.3	375.4
Equity Value	2935.3	2696.2
5-Day Average		
Gilt Edged Bargains	196.8	192.1
Equity Bargains	406.3	396.4
Equity Value	3202.6	3210.3

♥ Opening 1564.3 | 10 a.m. 1569.1 | 11 a.m. 1575.5 | Noon 1572.6 | 1 p.m. 1573.7 | 2 p.m. 1573.9 | 3 p.m. 1574.7 | 4 p.m. 1574.1

Day's High 1578.3. Day's Low 1564.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.72.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (187)

BRITISH FUNDS (1), CORPORATION LOANS (1), LOANS (1), AMERICANS (1), CANADIANS (5), BANKS (3), BREWERS (4), BUILDINGS (9), CHEMICALS (5), STORES (9), ELECTRICALS (13), ENGINEERING (11), FOODS (5), HOTELS (1), INDUSTRIALS (34), INSURANCE (2), LEISURE (13), MOTORS (2), NEWSPAPERS (3), PAPER (9), PROPERTY (15), SHOES (2), TEXTILES (7), TRUSTS (22), OILS (1), OVERSEAS TRADERS (2), PLANTATIONS (2), MINES (4).

NEW LOWS (5)

AMERICANS (4) Citicorp, Cont. Illinois Corp., Manuf. Hanover, Transamerica, ENGINEERING (1) Tex Hldgs.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,800	156	+1	Ladbroke	467	434	+4
Allied Lyons	1,010	398	—	Land Securities	3,700	372	+7
Amstrad	7,500	172	−2	Legal & Gen.	862	307	—
Assoc. Brit. Foods	825	346	+4	Lloyds Bank	633	499	+2
BAT	2,200	514	+4	Lonrho	1,200	276	−3
BET	524	512	+1	MEPC	470	351	+2
BOC	280	426	−2	Marks & Spncr	5,100	238	+1
BPB Inds	252	675	—	Midland Bank	450	638	+1
BPCC	1,800	348	+20	NatWest Bank	415	665	+1
BTR	4,200	336	—	Pearson	1,000	570	+15
Barclays	1,900	526	+4	P & O	302	623	−1
Bass	804	960	+11	Pilkington Bros	516	750	+2
Beecham	1,800	548	+3	Plessey	6,000	246½	+4½
Blue Circle	368	748	−2	Prudential	398	884	+5
Boots	14,000	290	+3	Racal	5,700	244	+6
Brit. Airways	23,900	122½	+4½	Rank Org	829	658	+10
Brit. Aero	1,300	635	−10	RHM	80	314	—
Brit. Gas	19,000	80½	+½	Reckitt & Col	35	969	−4
Britoil	4,900	199½	−½	Redland	349	470	−4
BP	4,600	809	+6	Reed Intl	177	434	−4
Brit. Telecom	8,800	243	−3	Reuters	2,000	717	+31
Bunzl	3,600	224	−4	RMC	106	811	—
Burton	1,300	314	+2	RTZ	709	725	+1
Cable & Wire	3,600	365	+6	Rowntree Mac	2,110	499	+½
Cadbury Schwps	729	237	−½	Ryl Bk of Scotland	1,500	329	+5
Coats Viyella	708	571	+15	Royal Insurance	380	990	+6
Comm. Union	3,500	326½	+5½	STC	796	250	—
Cons. Gold	499	815	+1	Saatchi & Saatchi	1,900	665	−6
Cookson	909	[illegible]	−5	Sainsbury	533	480	+4
Courtaulds	1,300	379	+4	Scott & Newcastle	1,200	297	+1
Dee Corpn	5,900	232	+4	Sears	9,100	138	+4
Dixons Grp	8,400	382	+2	Sedgwick	318	320	—
English China Clays	255	418	—	Shell Trans	5,500	£11⅛	+⅛
Fisons	492	615	−3	Smith & Nephew	1,600	151½	+½
Gen. Accident	286	999	+7	Standard Chart	703	745	−7
Gen. Elect.	12,000	213	−3	Storehouse	1,000	315	+4
Glaxo	1,300	£15¼	+⅛	Sun Alliance	114	795	+2
Globe Investment	210	150½	—	TSB	3,900	78	+1
Granada	1,200	328	−4	Tarmac	1,800	528	−8
Grand Met	2,300	491	+2	Tesco	1,000	499	+2
Gus "A"	153	£13⅜	—	Thorn EMI	1,600	606	−3
Guardian R.E.	250	919	+7	Trafalgar House	339	332½	−½
GKN	5,100	322	+2	T'house Forte	4,050	216½	+8
Guinness	9,500	326	+8	Unigate	781	383	+7
Hammerson Prop	87	380	—	Unilever	285	[illegible]	+½
Hanson Trust	4,200	173½	+3½	United Biscuits	2,100	277	+4
Hawker Sidd	472	522	−1	Wellcome	4,200	500½	+2½
Hillsdown Hlgs	1,500	272	+1	Whitbread 'A'	1,000	339	+2
ICI	1,100	£13¾	+¼	Willis Faber	120	425	+1
Imp. Cont. Gas	7,500	722	+14	Woolworth	294	805	+2
Jaguar	1,600	557	−11				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	86	18
Corporations, Dominion and Foreign Bonds	24	0	45
Industrials	501	480	558
Financial and Properties	173	129	285
Oils	33	31	48
Plantations	3	5	6
Mines	80	26	74
Others	79	51	62
Totals	902	808	1,096

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Mar 12 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed March 11 Index No.	Tues March 10 Index No.	Mon March 9 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (208)	852.41	−0.2	7.51	3.09	16.86	2.16	853.97	858.89	855.60	714.66
2	Building Materials (27)	1035.76	−0.3	7.57	3.16	16.60	0.72	1039.20	1036.76	1036.62	755.99
3	Contracting, Construction (28)	1486.42	−0.6	6.81	3.17	20.15	2.68	1494.84	1485.70	1481.28	1110.49
4	Electricals (12)	2055.28	—	7.33	3.82	17.51	1.39	2055.71	2041.53	2035.02	1946.91
5	Electronics (38)	1921.28	−0.2	7.74	2.32	17.06	10.41	1925.29	1959.15	1962.46	1742.86
6	Mechanical Engineering (61)	475.33	+0.1	8.49	3.52	15.05	1.04	474.66	473.70	472.63	397.71
8	Metals and Metal Forming (7)	450.18	−0.1	8.05	3.41	15.09	0.00	450.49	449.69	449.22	318.65
9	Motors (15)	321.06	−0.5	8.59	3.37	13.42	0.88	322.65	329.53	325.12	283.50
10	Other Industrial Materials (20)	1468.55	—	6.07	3.39	19.66	2.64	1468.81	1481.81	1460.22	1319.33
21	CONSUMER GROUP (186)	1181.06	+0.8	6.19	2.71	20.78	2.51	1171.94	1178.72	1173.20	881.95
22	Brewers and Distillers (22)	1107.28	+0.8	7.72	3.13	16.30	3.55	1098.26	1104.25	1098.15	861.55
25	Food Manufacturing (25)	874.79	+0.8	7.66	3.33	17.16	2.21	867.74	872.30	874.62	637.83
26	Food Retailing (16)	2150.68	+1.1	5.87	2.58	23.67	9.65	2127.48	2130.07	2123.80	1867.94
27	Health and Household Products (10)	2343.09	+0.3	4.05	1.63	28.60	0.28	2335.36	2319.93	2299.68	1492.34
29	Leisure (31)	1188.56	+0.9	6.37	3.53	20.70	8.26	1177.43	1186.90	1185.52	916.51
31	Packaging & Paper (14)	590.28	−0.6	5.99	2.84	21.68	0.56	593.71	592.50	593.79	449.08
32	Publishing & Printing (14)	3565.57	+1.0	5.69	3.21	22.59	3.41	3529.51	3502.50	3498.87	2233.34
34	Stores (37)	1026.41	+0.8	6.24	2.64	21.77	1.25	1017.87	1041.63	1031.25	847.49
35	Textiles (17)	661.62	+2.1	7.89	3.07	14.59	0.17	647.72	655.14	656.19	517.34
40	OTHER GROUPS (88)	964.41	+0.3	8.18	3.50	15.17	3.78	961.26	965.72	957.87	837.87
41	Agencies (17)	1404.83	+1.9	4.42	1.77	30.62	3.33	1378.78	1352.72	1358.16	0.0
42	Chemicals (21)	1218.76	+0.2	8.10	3.60	15.08	15.74	1216.58	1226.50	1221.68	952.12
43	Conglomerates (13)	1302.85	+0.8	6.72	3.35	17.60	2.00	1291.99	1305.37	1289.46	0.0
45	Shipping and Transport (11)	1972.06	+0.8	6.80	4.03	17.80	0.00	1955.65	1967.46	1925.64	1630.29
47	Telephone Networks (2)	957.91	−0.6	9.76	4.02	13.97	1.09	964.14	969.89	961.43	994.42
48	Miscellaneous (24)	1294.97	+0.6	9.38	3.25	12.82	3.23	1287.01	1290.97	1281.82	1021.38
49	INDUSTRIAL GROUP (482)	1048.74	+0.4	7.05	3.01	17.96	2.84	1044.38	1050.09	1044.44	837.49
51	Oil & Gas (18)	1739.77	+1.0	9.75	5.18	12.97	19.18	1722.82	1711.02	1698.88	1176.16
59	500 SHARE INDEX (500)	1106.83	+0.5	7.42	3.31	17.05	4.27	1101.38	1105.54	1099.32	867.90
61	FINANCIAL GROUP (117)	683.31	+0.5	—	4.25	—	5.81	680.12	678.34	671.76	588.60
62	Banks (8)	734.85	+0.4	18.00	5.20	7.43	12.84	731.75	724.03	722.45	598.55
65	Insurance (Life) (9)	968.11	+0.3	—	4.01	—	0.00	964.89	974.03	962.81	896.78
66	Insurance (Composite) (7)	545.29	+0.7	—	4.36	—	2.82	541.69	541.50	526.56	482.52
67	Insurance (Brokers) (9)	1169.55	+0.2	8.46	4.53	15.41	13.35	1167.04	1171.73	1164.22	1274.83
68	Merchant Banks (11)	368.95	—	—	3.24	—	0.02	368.99	368.42	369.35	352.75
69	Property (47)	891.53	+0.7	5.39	3.31	24.18	0.96	885.32	885.59	873.75	728.11
70	Other Financial (26)	445.56	+0.5	7.23	3.44	17.69	1.86	443.25	439.99	438.02	337.10
71	Investment Trusts (96)	970.07	—	—	2.42	—	4.06	970.27	968.52	966.53	726.90
81	Mining Finance (2)	377.45	+0.1	8.12	4.36	14.49	1.89	376.96	373.59	375.47	280.65
91	Overseas Traders (12)	891.08	+1.0	9.21	5.04	13.16	10.04	882.36	882.86	882.74	673.02
99	ALL-SHARE INDEX (727)	991.89	+0.5	—	3.44	—	4.42	987.25	989.66	983.81	786.59

	Index No.	Day's Change	Day's High	Day's Low	March 11	March 10	March 9	March 6	March 5	Year ago
FT-SE 100 SHARE INDEX ‡	1989.7	+10.3	1989.7	1973.7	1979.4	1987.7	1973.7	1998.2	2002.8	1616.7

FIXED INTEREST

	PRICE INDICES	Thurs March 12	Day's change %	Wed March 11	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.68	−0.06	123.88	0.13	1.92
2	5-15 years	142.54	−0.39	143.09	—	2.69
3	Over 15 years	150.31	−0.66	151.80	0.49	3.09
4	Irredeemables	166.93	−0.26	167.37	—	1.62
5	All stocks	138.68	−0.33	139.27	0.12	2.50
	Index-Linked					
6	5 years	119.08	−0.05	119.14	—	0.83
7	Over 5 years	120.35	−0.18	120.57	—	0.88
8	All stocks	120.14	−0.16	120.34	—	0.86
9	Debentures & Loans	124.46	+0.08	124.37	—	1.57
10	Preference	85.59	+0.32	85.33	—	0.68

	AVERAGE GROSS REDEMPTION YIELDS		Thurs March 12	Wed March 11	Year ago (approx.)
	British Government				
1	Low	5 years	8.26	8.25	8.94
2	Coupons	15 years	9.10	9.03	9.15
3		25 years	9.11	9.04	9.15
4	Medium	5 years	9.28	9.21	10.11
5	Coupons	15 years	9.28	9.20	9.63
6		25 years	9.25	9.20	9.43
7	High	5 years	9.33	9.27	10.11
8	Coupons	15 years	9.42	9.35	9.81
9		25 years	9.24	9.17	9.59
10	Irredeemables†		9.02	8.99	9.07
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.60	2.56	4.45
12	Inflat'n rate 5%	Over 5 yrs	3.42	3.40	3.76
13	Inflat'n rate 10%	5 yrs	1.00	0.95	3.44
14	Inflat'n rate 10%	Over 5 yrs	3.28	3.25	3.61
15	Debs &	5 years	9.95	9.92	10.67
16	Loans	15 years	10.13	10.14	10.50
17		25 years	10.14	10.16	10.33
18	Preference†		10.99	11.02	11.75

‡Opening index 1973.7; 10 am 1978.3; 11 am 1984.1; Noon 1984.2; 1 pm 1984.1; 2 pm 1983.9; 3 pm 1983.0; 3.30 pm 1979.3; 4 pm 1982.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*398)	330	75	85	93	1	3	5
	360	48	60	70	4	12	15
	390	25	40	50	15	22	27
	420	11	25	33	30	35	40
Brit. Airways (*120)	[illegible]						

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*324)	280	55	65	73	3	15	15
	300	42	57	65	13	22	27
	330	25	37	47	28	38	40
	360	9	22	—	45	55	—
Ladbroke (*433)	[illegible]						

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

NETHERLANDS
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

FRANCE
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

JAPAN
[illegible]

JAPAN (continued)
[illegible]

SINGAPORE
[illegible]

SOUTH AFRICA
[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices March 12

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices March 12

[illegible]

Total Sales 7,786,205 shares

Indices

NEW YORK—DOW JONES
[illegible]

STANDARD AND POORS
[illegible]

N.Y.S.E. ALL COMMON
[illegible]

RISES AND FALLS
[illegible]

TORONTO
[illegible]

MONTREAL Portfolio
[illegible]

					1986/87 High	1986/87 Low
SPAIN Madrid SE (30/12/85)	230.35	232.45	238.04	240.78	255.95(25/2/87)	100.53(5/1/86)
SWEDEN Jacobson & P (31/12/56)	2461.10	2508.84	2514.5	2505.86	2672.78 (7/11)	1729.57(23/1/85)
SWITZERLAND Swiss BankCpn(31/12/58)	585.9	582.5	590.3	587.5	619.5 (6/3/87)	467.2 (4/8/86)
WORLD MS. Capital Intl. (1/1/70)	—	418.7	419.0	417.2	419.8 (6/3/87)	248.8 (25/1/85)

** Saturday March 7: Japan Nikkei 21,123.1. TSE 1,817.26.
Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3. and Australia. All Ordinary and Metals—500: NYSE All Common—50: Standard and Poors 10: and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

NYSE-Consolidated 3pm Actives
[illegible]

TOKYO – Most Active Stocks
Thursday, March 12, 1987

[illegible]

LONDON – Most Active Stocks
Thursday, March 12, 1987

	Stocks Traded	Closing Price	Change on Day
Brit Airways	23.9m	122½	+ 4½
Brit Gas	19.8m	80½	+ ½
Boots	14.8m	298	+ 3
BAT	12.2m	514	+ 4
Gen Elect	12.6m	213	− 3
Guinness	9.5m	326	+ 8
Sears	9.1m	138	+ 4
Brit Telecom	8.8m	243	− 3
Dixons Gr.	8.4m	382	+ 2
Amstrad	7.5m	172	− 2

OVER-THE-COUNTER
Nasdaq national market, closing prices

Continued from Page 45

[illegible]

LONDON
Chief price changes
(in pence unless otherwise indicated)

RISES:

- Allebone 69 + 6
- Apric. Comp. 70 + 7
- Argyle Tr. 142 + 14
- Author. Invs. 403 + 20
- BPCC 348 + 20
- Brit. Airways 122½ + 4½
- Collins (Wm.) A. 520 + 9½
- Dawson Intl. 272 + 16
- Eur. Home Prod. 188 + 15
- GRA 108 + 7½
- Glynwed 398 + 10
- Guinness 328 + 8; 161 + 17
- Holmes Protec. 408 + 20
- Hunterprint 722 + 14
- IC Gas 72 + 7½
- Kings. & Forest. 156 + 13
- Mang. Bronze 257 + 12
- Minet Hldgs. 321 + 23
- Next 229 + 14
- Polly Peck 658 + 10
- Rank Org. 717 + 31
- Reuters B 769 + 15
- Tate & Lyle 482 + 52
- T. Tees TV A 205 + 15
- Ultramar 186 + 23
- Yellowhammer

FALLS:

- Appleyard 245 − 9½
- Brit. Aerospace 635 − 10
- Costain 614 − 16
- Lysander Pet. 34 − 11

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33	20	AAR s	.50	1.6	23	508	32¼	31¼	31⅞	+⅝
34¾	21⅞	ADT	.92	2.6	20	312	u35⅛	34¼	35	+½
39⅛	21	AFG s	.12e	.3	12	344	u39¾	39	39⅜	+¾
40¼	16¾	AGS			22	192	37¾	37⅛	37¼	−½
15	6¾	AMCA				3	8⅜	8⅜	8⅜	
9⅜	4⅞	AM Intl				1440	8⅞	8½	8⅝	−¼
62⅞	47¼	AMR			12	10418	57⅝	55¾	57⅛	
13⅛	8	ARX s			13	154	11⅛	11	11	
49	29¾	ASA	2a	4.1		1214	u49⅛	47⅞	48½	+½
17⅜	9¾	AVX		2.0		152	16⅛	15½	15¾	−⅝
32¾	26½	AZP	2.72	8.5	10	949	32⅛	31⅝	31⅞	+⅛
63⅝	36¾	AbtLb s	.84	1.3	27	3095	62⅞	61¾	62⅝	
34	25	AccoWd	.62	1.9	20	132	32¼	31⅞	31⅞	−¼
14⅛	9	AcmeC	.40	3.1	24	48	13½	13	13	−⅜
9	6⅛	AcmeE	.32b	4.0	28	41	8⅛	8	8	+⅛
23⅞	18½	AdaEx	3.42e	15.		58	22⅝	22¼	22⅝	−⅛
19½	11⅜	AdmM s	.24	1.3	15	18	19¼	18⅞	19	−⅛
21⅜	12⅛	AdvSys	.62t	2.9	16	195	u21½	21	21¼	
32¾	12⅞	AMD				3743	20⅞	20⅛	20½	−⅛
10⅜	5¼	Adobe				53	8¾	8¾	8¾	
20	13¾	Adob pf	1.84	9.4		15	19½	19½	19½	+⅛
21⅞	16⅜	Adob pf	2.40	11.		37	21¼	21	21⅛	+⅛
18⅜	11½	Advest	.12a	.9	11	442	13¼	12½	13⅛	+½
68¼	53	AetnLf	2.76	4.1	11	2645	67⅝	67	67⅜	+⅜
54	51⅛	AetL pf	2.81e	5.4		31	51⅞	51¾	51⅞	
50¾	21⅞	AflPb s	.32	.6	27	288	50¼	49	49¾	−⅜
28¾	18⅞	Ahmns	.88	3.4	8	3622	26⅝	26	26¼	
5¾	2⅞	Aileen				127	3⅝	3½	3½	
48½	29⅝	AirPrd s	.80	1.6	375	796	45¾	44¾	45	−⅜

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

Switzerland SFr 2.20.

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Higher sales figures give little impetus

WALL STREET

SETTLING down after volatility earlier in the week, Wall Street stock prices crept ahead in moderately heavy trading yesterday as many broad market indices set records, *writes Roderick Oram in New York.*

Both stock and credit markets failed to gain any sense of direction from the sharp increase in February's retail sales figures released yesterday because in context the gains looked more modest.

The Dow Jones industrial average closed down 1.78 points at 2,267.20, 11 points shy of its record. It had opened about four points down from the previous close, drifted about seven points higher but fell back from an attempted rally late in the session.

But all the broader market indices set records. The Standard & Poor's 500 index rose 0.91 to 291.22, the New York and American stock exchange composites added 0.57 to 165.96 and 3.12 to 331.99 and the Nasdaq over-the-counter composite rose 1.05 to 432.48. Advancing NYSE issues outpaced those declining by a ratio of four-to-three on volume of 174.9m shares.

On their first day as members of the 30-stock Dow Industrial index, Boeing fell $1 to $52¾ and Coca-Cola lost $1¼ to $47½ on combined volume of 2.7m shares. In contrast, Inco and Owens-Illinois, the stocks they replaced, were mixed. Inco rose $¾ to $15¾ while Owens-Illinois was unchanged at $60¼ on total volume of 1.4m shares, indicating that the new stocks are more representative of the market.

Profit taking was apparent in technology and drug sectors with Digital Equipment falling $1¾ to $166⅝, Unisys losing $¾ to $101¾, Merck dropping $1¾ to $156⅞ and Squibb giving up $3¾ to $157⅞.

IBM advanced $2½ to $144¼ following reports that its second generation of personal computers to be launched soon would diverge from industry standards, facing competing manufacturers with difficult choices of whether to follow suit. Among the competitors COMPAQ fell $2¾ to $30¼.

In the takeover arena, Harper Row soared $16 to $49¾ following a $50 a share offer from Harcourt, Brace, Jovanovich. Mr Theodore Cross, a Harper Row shareholder, withdrew his earlier bid of $34 a share. The new offer boosted other publishing stocks. McGraw-Hill added $1¼ to $71¼, Houghton Mifflin rose $1⅜ to $34¾ and Macmillan advanced $¾ to $58¾.

Cyclops gained $1¼ to $93 on news of a counter offer of $90¼ a share, on certain conditions, from an investment group including Audio/Video Affiliates, which dipped $¾ to $7¾. An earlier AVA bid had been topped by a $90¼ offer from Dixon's, the UK electrical consumer goods retailer.

Taft Broadcasting rose $½ to $153. Its board rejected a $145 a share offer from an investment group led by the group's vice chairman.

Allegis, parent of the United Air Lines and hotel group, gained $2½ to $61¾ on rumours that Mr Donald Trump, the New York real estate investor, was planning a bid for it.

The retailing sector generally was weaker as the markets realised the retail sales figures were not as good as they seemed at first glance. Sears, Roebuck edged ahead $¼ to $52¾ but Wal-Mart slipped $¼ to $58, Federated Department Stores dipped $¾ to $93¾ and the Limited edged down $¼ to $47¾.

Atlantic Richfield rose $2¾ to $72¾. Analysts said the outlook is positive for its new Alaskan oil field. Other oil stocks were boosted by the release of favourable inventory figures even though oil prices were slightly lower yesterday. Exxon was up $¾ to $83¾, Chevron gained $¾ to $52½, Amoco rose $1¾ to $76¾ and Standard Oil put on $1 to $60 ¼ although Texaco slipped $¾ to $34¾.

Credit markets took in their stride the far larger than expected increase in retail sales in February announced yesterday. The rise of 4.1 per cent, heavily influenced by strong but volatile car sales, was largely offset by the revision of January's sharp decline of 7.4 per cent compared with the 5.8 per cent drop originally reported.

The largely neutral figures failed to give investors and traders the clues they had been seeking to the economy's direction. Another chance comes today with the release of February's industrial production and producer prices. Small increases of around 0.2 per cent and 0.4 per cent respectively from January's levels are expected.

The price of the 7.50 per cent benchmark Treasury long bond edged up ⅜ of a point to 99⅞ at which it yielded 7.51. Other maturities were similary ahead a fraction and short term interest rates eased slightly.

CANADA

THE ADVANCE continued in Toronto as strong resource stocks led the market higher and most sectors followed.

Dome Petroleum, which was due to tell its leading creditors how it proposed restructuring its debt, was 6 cents ahead at C$1.18.

Oils generally were boosted by crude price gains and Shell Canada added C$1⅛ to C$36¾ while Gulf Canada was C$¼ higher at C$26¼.

Nickel producer Inco, which fell heavily on Wednesday when it was removed from the Dow Jones industrial average, picked up C$¾ to C$20¾.

In Montreal, banks were easier while industrials showed gains.

Dublin springs ahead on poll outcome

THE ENDING of nearly two months of uncertainty over who would form Ireland's new Government has added extra confidence to an already thriving Dublin stock market.

Dealers were joking yesterday about the luck of Mr Charles Haughey, leader of the minority Fianna Fail administration formed on Tuesday, whose return to power was followed by new highs on the equities market, a rush of demand for government gilts, and two straight days of rare spring sunshine in Dublin.

With the long-term stability of the new Government in question and other factors exerting a strong influence on the market, the political element contributed only in part to the optimistic outlook.

On the equities front, the long election period had almost no effect on a market which has been moving relentlessly upwards for months, chiefly because the main stocks rely increasingly for profit growth on the overseas operations and not on the depressed domestic economy.

Stockbrokers J&E Davy's Overall Index was at a high of 735.20 yesterday, having risen about 25 per cent since the beginning of this year. The trend is linked to the performance of other international markets, particularly London to which Dublin is affiliated.

Leading the surge has been Jefferson Smurfit, the paper, board and packaging maker whose recent expansion in the US has led to big profit growth forecasts. It now accounts for nearly one quarter of the Dublin market's total market capitalisation of around I£4.5bn ($6.46bn).

Other strong performers include Cement Roadstone, Waterford Glass, FII-Fyffes and Independent Newspapers, which all earn a big chunk of their earnings overseas. The two big Irish banks, Allied Irish and Bank of Ireland, are also moving up as dealers judge they have been undervalued in the past.

Mr Haughey's return to office had a greater effect in the gilts market which accounts for the bulk of turnover in Dublin. The dispelling of uncertainty in government, at least for a few months, combined with the strengthening of sterling and falling interest rates in London to boost demand for government securities.

Although the market was quieter again yesterday, dealers said some I£70m of stock was bought on Wednesday, shading yields on some long-term gilts slightly below 12 per cent for the first time since September.

They added that the Government was now well ahead of its domestic funding targets for this year, having raised about 40 per cent of its I£1bn requirement already.

A key factor in all this was the easing of the Irish pound against sterling. The combination of a cheaper Irish pound and relatively high interest rates raises the prospect of a reverse in a recent trend of heavy outflows from the Irish currency. That would eventually help bring down interest rates, a crucial element in the new Government's hopes of boosting growth in the economy.

Dealers are now looking forward to the UK budget on Tuesday and the Irish budget at the end of the month to see if this week's trends continue.

Hugh Carnegy

Major UK gilt market shake-out predicted

UK institutional investors believe there will be a major shake-out of participants in the UK Government bond market within the next three years even though many expect the volume of their gilt turnover to increase, *writes Janet Bush in London.*

This is one of the messages that emerged from a survey of 70 institutions conducted during January by Capel-Cure Myers, a leading agency broker in gilts.

Asked how many primary market-makers there would be within three years' time, 46 per cent of the institutions said less than 15. This opinion conforms with the widely-held view before Big Bang (the London financial services revolution) that the gilt market was not large enough to support 27 primary dealers.

The results also suggest a sharp decrease in the number of agency brokers active in the gilt market. Around 85 per cent saw the number of agency brokers having fallen after a year, although the other 15 per cent see the number rising.

The general thrust of the results suggests that the deregulation of the market on October 27 has brought many of the advantages which its proponents had promised. The vast majority of respondents to the survey thought that the market was more liquid since Big Bang and it now offered more efficient execution of deals.

Coupled with the near or total elimination of commissions, these factors have encouraged institutions and private investors to deal more frequently and actively in the market.

The responses of institutions offer some hard evidence of the loyalty they have displayed to the old British broking houses which tends to support reports that foreign houses have not been able to build up retail business as much as they would have liked.

An overwhelming 70 per cent said most of the market makers they now deal with were connected with brokers they had used before Big Bang.

Most institutions seem broadly content with the particular houses with whom they deal

EUROPE

Brussels hits record despite profit-taking

RENEWED caution held back many European bourses yesterday but selective buying made an exception of Belgium and the Netherlands.

Brussels encountered widespread profit-taking after the long bull run, but strong demand in certain sectors managed to push the stock exchange index to yet another record of 4,468.54, a gain of 11.38.

Insurers remained strong, with Royale Belge putting on BFr 550 to BFr 7,050, a rise of 8.5 per cent.

Market leader Petrofina, however, fell back a further BFr 125 to BFr 9,950, retailer GB Inno BM lost BFr 58 to BFr 1,160 and industrial holding company Gevaert lost BFr 80 to BFr 6,500 after higher profits.

Amsterdam continued to be buoyed by the dollar, which was fixed slightly higher against the guilder, and demand from both home and abroad was strong. In mixed internationals, Philips added 30 cents to Fl 50.30 with a forecast of better 1987 profits. But KLM eased 30 cents to Fl 43.10.

Frankfurt remained unsettled by VW's problems but the sell-off was much reduced from Wednesday.

The Commerzbank index added 4.8 to 1,727.0 but did not reflect later sales which took the bourse to a mixed to easier close.

Reconsideration of the VW currency fraud losses left the car share DM 2.20 higher at DM 325.50 on bargain-hunting, although overseas investors were active sellers. BMW added DM 3 to DM 484 but Daimler ended DM 12 lower at DM 920.

Bonds were slightly higher. The Bundesbank sold DM 171.1m of paper after buying DM 43.9m on Wednesday.

Zurich was mainly lower, with banks under pressure from Ecuador's plans to suspend debt payments.

Chemical Sandoz bearer rose SFr 50 to SFr 10,950 while Ciba-Geigy was steady at SFr 3,375.

Paris was mixed to easier on further profit-taking with many investors hesitant in the wake of Wall Street's overnight losses. However, there were some gains, notably for Imetal, which jumped FFr 5.80 to FFr 111.80, a gain of 5.5 per cent.

Milan picked up a little to end mixed to higher on end-of-month position-squaring. Montedison lost a further L30 to L2,720.

Stockholm was depressed by news that no further interest rate cuts were planned. Sandvik, with higher profits, eased SKr 2 to SKr 168.

Oslo pursued its rally, boosted by the better economic outlook, while Madrid fell again.

LONDON

THE SOFTER pound had little impact on a buoyant London gilt-market as marketmakers and trading houses squared positions ahead of next week's budget.

Equities lacked heart and the FT-SE 100 fell 10.3 to 1,989.7 while the FT Ordinary gained 6.6 to 1,578.0.

Internationals, particularly chemicals, benefited from the lower exchange rate while banks advanced on hopes of lower interest rates. Details Page 42

SOUTH AFRICA

THE FIRMER bullion price and decline in the financial rand attracted some buying of gold shares in Johannesburg, and Vaal Reefs advanced R5 to R349 while Driefontein was 25 cents ahead at R67.

Mining financials followed golds upwards while platinums were little changed. Diamond stock De Beers eased 40 cents to R40.

Among industrials, Barlow Rand was steady at R20.25 and Sasol added 15 cents to R10.75.

ASIA

Nikkei at third peak

TOKYO

HIGH-TECHNOLOGY blue chips advanced sharply in Tokyo yesterday in heavy trading, helping push the Nikkei average to its third consecutive record high, *writes Shigeo Nishiwaki of Jiji Press.*

The index surged 157.24 to 21,470.20 on turnover estimated at 1.1bn shares in the morning alone. A shift in investor interest from large-capital stocks to high-priced high-technology stocks in the afternoon curbed the increase so that trading totalled 1.58bn, down from Wednesday's 2.13bn. Gains led losses 497 to 395, with 119 issues unchanged.

Various market indicators, including single-day trading value and the Nikkei average, have registered all-time records this year, but single-day turnover alone has yet to exceed the high of 2.32bn shares set on August 21. This has caused many investors and securities houses to speculate that the current bull market will continue until daily turnover hits a record.

Large-capital steels and shipbuildings advanced from the outset on massive purchases by institutional investors. However, volume failed to reach a new high due to the move toward high-tech issues.

Nippon Steel lost Y4 to Y303, although turnover was the largest at 150.63m shares. Mitsui Toatsu Chemicals shed Y11 to Y549 and Showa Denko Y10 to Y616. Mitsubishi Electric turned down, falling Y11 to Y560, and Sumitomo Chemical dropped Y28 to Y937.

Among large-capital issues, Sumitomo Metal Industries climbed Y12 to Y237 on the second highest trading of 147.07m shares, mirroring its plan to build marine leisure facilities on the site of its steelworks. Mitsubishi Heavy Industries went up Y5 to Y620 and Ishikawajima-Harima Heavy Industries Y13 to Y598.

Most Aids-related stocks declined. Ajinomoto was Y50 down at Y3,650, Morinaga Milk Industry Y47 lower at Y830 and Takeda Chemical Y40 lower at Y3,050.

Bond prices plunged after Wednesday's sharp upsurge, on rumours that the Bank of Japan was concerned about the recent rapid rise. There was panic selling by dealers who purchased massively on Wednesday to build up inventories. The yield on the 5.1 per cent government bond due in June 1996 fell from 4.600 per cent on Wednesday to 4.575 per cent in the morning, but later selling pushed it back up to 4.635 per cent.

HONG KONG

LATE SELLING, triggered by fears of a rise in local interest rates, forced Hong Kong lower again with a 10.76 drop to 2,750.14.

Properties were quick to respond to the rate speculation: a large sell-off took Hutchison Whampoa down HK$1.50 to HK$52.50, Cheung Kong was 75 cents down at HK$44 and SHK Properties closed 40 cents off at HK$23.80.

Bond Corp International held steady at HK$ 2.70 ahead of results.

Among utilities, China Light advanced 20 cents to HK$21.90.

SINGAPORE

THE POLITICAL crisis in Sarawak combined with early profit-taking in Singapore trimmed 4.86 off the Straits Times industrial index to 1,066.04. Turnover retreated to 35.8m shares from Wednesday's 45.5m.

Roxy, most active with 1.7m shares changing hands, gained 6 cents to S$1.38 while Malaysian Resources firmed ½ cent to 35 cents on 1.5m shares.

DBS featured among the declines with its 50-cent drop to S$12 while Fraser & Neave closed 15 cents cheaper at S$9.95.

AUSTRALIA

PROFIT-TAKERS continued to make inroads on Sydney share prices as the All Ordinaries dropped for the fourth day with a fresh fall of 8.4 points to 1,625.7.

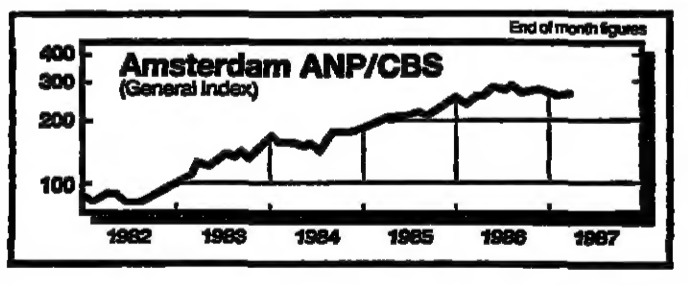
BHP drew more buyers, however, with investor attention focusing on its gold mine unit. It gained 5 cents to A$10.88 on turnover of 1.9m shares. Other BHP stakeholders were less resilient: Elders IXL lost 5 cents to A$4.88 and Bell Resources closed unchanged at A$4.65.

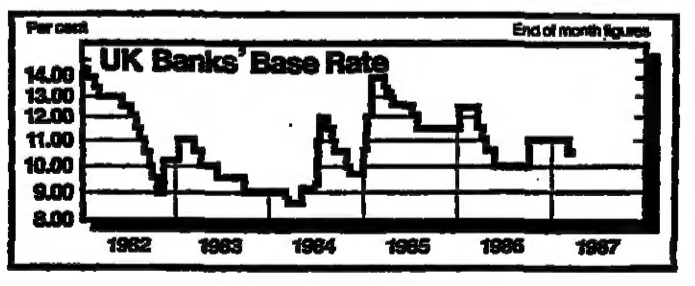
Bond Corp was also active with 4m shares turned over in a special sale off market at A$2.75. Bonds finished 3 cents cheaper at A$2.77.

News Corp fell again. It lost 50 cents to A$23 after a sharp fall earlier in the week.

Private Blood Bank staunched its losses and recovered with a 70 cent advance to A$4.30.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Mar 12	Previous	Year ago
NEW YORK			
DJ Industrials	2,267.20	2,268.98	1,745.45
DJ Transport	943.68	939.80	806.18
DJ Utilities	217.30	216.43	188.40
S&P Comp.	291.22	290.31	232.54
LONDON FT			
Ord	1,578.0	1,571.4	1,350.6
SE 100	1,989.7	1,979.4	1,624.5
A All-share	991.89	987.25	786.59
A 500	1,105.83	1,101.38	867.90
Gold mines	331.3	324.1	331.0
A Long gilt	9.24	9.17	9.40
TOKYO			
Nikkei	21,470.20	21,313.0	14,238.1
Tokyo SE	1,842.24	1,829.88	1,145.05
AUSTRALIA			
All Ord.	1,625.7	1,634.2	1,078.8
Metals & Mins.	784.7	788.6	517.4
AUSTRIA			
Credit Aktien	204.68	204.99	231.37
BELGIAN SE	4,468.54	4,451.16	3,343.67
CANADA			
Toronto			
Met.& Mins.	2,584.8	2,498.5	2,285.0
Composite	3,670.1	3,620.1	2,993.9
Montreal			
Portfolio	1,824.11	1,802.5	1,528.57
DENMARK SE	198.91	197.61	297.91
FRANCE			
CAC Gen	440.30	440.2	415.8
Ind. Tendance	111.80	112.0	75.9
WEST GERMANY			
FAZ-Aktien	571.06	568.88	686.87
Commerzbank	1,727.00	1,722.2	2,097.3
HONG KONG Hang Seng	2,750.14	2,760.90	1,590.39
ITALY Banca Comm.	682.08	679.86	614.69
NETHERLANDS ANP CBS			
Gen	273.70	271.7	281.6
Ind	254.80	252.2	251.8
NORWAY Oslo SE	409.12	407.04	345.94
SINGAPORE Straits Times	1,066.00	1,070.90	601.94
SOUTH AFRICA JSE			
Golds	—	1,822.0	1,200.3
Industrials	—	1,611.0	1,151.6
SPAIN Madrid SE	230.93	232.43	143.45
SWEDEN J & P	2,481.10	2,509.84	1,922.39
SWITZERLAND Swiss Bank Ind	588.90	592.0	598.9
WORLD MS Cap. Int'l March 11	418.7	419.0	292.7

COMMODITIES (London)

	March 12	Prev
Silver (spot)	350.55p	257.6p
Copper (cash)	£913.50	£900.50
Coffee (May)	£1,320.00	£1,139.00
Oil (Brent)	$17.775	$17.90

GOLD ($/oz)

	March 12	Prev
London	$410.00	$407.25
Zürich	$410.00	$407.45
Paris (fixing)	$407.88	$407.83
Luxembourg	$408.60	$407.35
New York (April)	$409.90*	$408.30

CURRENCIES (London)

	US DOLLAR Mar 12	US DOLLAR Previous	STERLING Mar 12	STERLING Previous
$	—	—	1.5880	1.5910
DM	1.8605	1.8715	2.955	2.98
Yen	153.60	153.8	244.0	245.0
FFr	6.19	6.22	9.83	9.90
SFr	1.5585	1.5698	2.475	2.50
Fl	2.10	2.1115	3.335	3.36
Lira	1,322.0	1,329.0	2,100	2,114.25
BFr	38.5	38.7	61.15	61.55
C$	1.3180	1.3270	2.0980	2.1115

INTEREST RATES

	Mar 12	Prev
Euro-currencies (3-month offered rate)		
£	10	10
SFr	4⅛	4⅛
DM	4 1/16	4
FFr	8	8 1/16
FT London Interbank fixing (offered rate)		
3-month US$	6⅜	6 7/16
6-month US$	6⅜	6 7/16
US Fed Funds	6 1/16 *	6
US 3-month CDs	6.05 *	6.425
US 3-month T-bills	5.65 *	5.68

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	101-17	101-21	101-08	101-07
US Treasury Bills (IMM) $1m points of 100%				
June	94.42	94.44	94.37	94.39
Certificates of Deposit (IMM) $1m points of 100%				
March	—	—	—	93.97
LONDON				
Three-month Eurodollar $1m points of 100%				
March	93.51	93.52	93.50	93.49
20-year Notional Gilt £50,000 32nds of 100%				
March	122-04	122-28	122-05	122-26

US BONDS

Treasury

	March 12 Price	March 12 Yield	Prev Price	Prev Yield
6⅞ 1989	99 [illegible]	6.419	99 [illegible]	6.436
7⅛ 1993	99 [illegible]	7.012	99 [illegible]	7.029
7¼ 1996	100 [illegible]	7.205	100 [illegible]	7.228
7½ 2016	99 [illegible]	7.516	99 [illegible]	7.525

Source: Harris Trust Savings Bank

Treasury Index March 12

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.76	−0.03

Source: Merrill Lynch

Corporate

	March 12 Price	March 12 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	(uch)	(uch)	93.74	6.00
SCBT South Central 10⅞ Jan 1993	(uch)	(uch)	105.25	9.70
Phibro Sal 8 April 1996	(uch)	(uch)	99.75	8.04
TRW 8⅞ March 1996	(uch)	(uch)	103.50	8.19
Arco 9⅞ March 2016	(uch)	(uch)	112.50	8.69
General Motors 8⅜ April 2016	(uch)	(uch)	94.50	8.64
Citicorp 9⅜ March 2016	(uch)	(uch)	100.375	9.34

Source: Salomon Brothers

* *Latest available figures*